NEW HORIZONS

ANNUAL REPORT 2017

A NEW DAWN
A NEW BEGINNING

1995
OPERA SOFTWARE FOUNDED

1997
FIRST WEB BROWSER RELEASED

2004
OPERA LISTED ON OSLO STOCK EXCHANGE

2005
OPERA MINI RELEASED

2014
AQUIRED ADCOLONY

2015
OPERA REMOVED SOFTWARE FROM THE LOGO

2016
OPERA BROWSER BUSINESS SOLD

2018
CHANGED NAME TO OTELLO CORPORATION

OPERA SOFTWARE ASA HAS BECOME OTELLO CORPORATION ASA

Otello's journey started in 1995 when Opera was established as a browser company. Alongside expanding the brower business during the last couple of decades, the company also pursued acquisitions and organic growth within mobile advertising and apps & games, creating a broad platform of business opportunities, including ownership of leading technology for mobile video, and data compression.

In late 2017, Opera Software ASA became Otello Corporation ASA following a set of divestments in 2016 and 2017, including the divestment of the consumer browser business in November 2016 for USD 575 million. One month later, in December 2016, the company sold a majority of Opera TV, bringing in an additional USD 80 million. In addition, SurfEasy was sold to Symantec in late 2017 for USD 38.5 million. In total, these divestments brought in close to USD 700 million in gross proceeds.

Today, Otello reaches more than 2 billion people across the world with mobile advertising, apps and services from its subsidiaries providing a solid platform for further investments in growth and profitability for AdColony, Bemobi and Skyfire.

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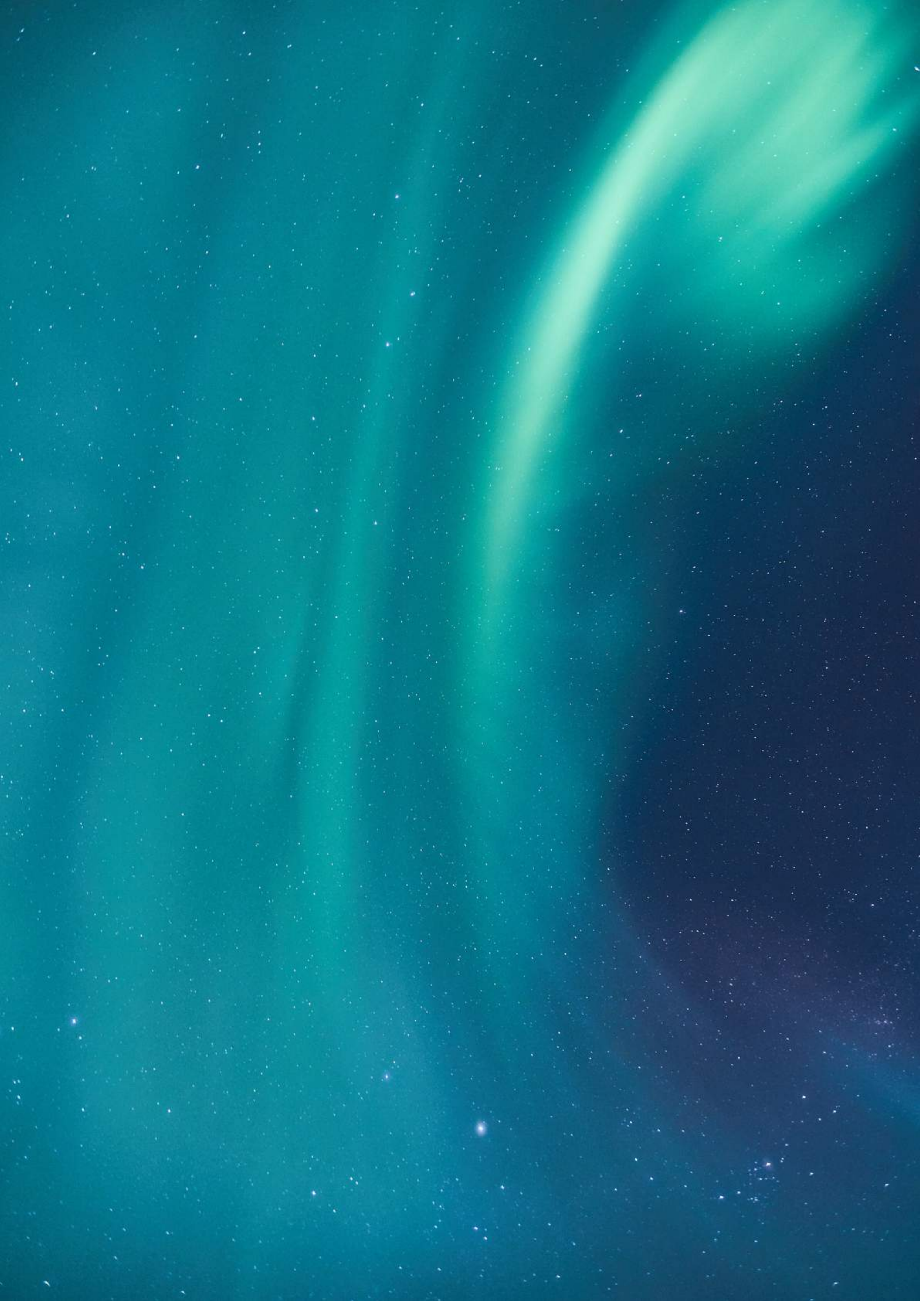


THE NORTHERN LIGHTS BRINGS LIGHT TO OTELLO

Otello's profile is inspired by what we call **aurealis** (which is our way of saying aurora borealis). Aurora come from the latin world **dawn**, morning lights, and that is exactly what Otello offers. A new dawn. A new beginning. Based on decades of growth, acquisitions and divestments.

As a Norwegian company, with roots going back to the early days of Opera, the scene was set for an identity and profile inspired by the Norwegian and Nordic flavour of the skies. We call it aurealis, even though it is commonly known as northern lights or polar lights. Aurealis stands for **energy, drive, ambition and independence.**

In a way, Otello's presence and position is as natural in today's mobile and digital world as the northern lights are displayed in the skies far up north. Otello's entities offer technology and experiences which are enjoyed and displayed on billions of screens - lighting up the everyday life of more than 2 billion users across the world with apps and services.

In short, Otello's new identity is full energy as it emits light of varying color and complexity, just like the northern lights. Otello is a collection of companies, forming the aurora, like the polar lights occur within bands around the polar region. Otello as a company and brand might be new, based on more than 20 years of history, but it will not stand still. Like the northern lights, we are dependent on the amount of acceleration imparted to the precipitating particles. Our atoms are our key assets, namely AdColony, Bemobi and Skyfire. This brings light to Otello.

*Otellos identity and profile is primarily developed by Coxit

A NEW ERA AND A NEW O

Otello is a collection of companies. It used to be known as an opera. Otello Corporation ASA is a holding company, listed at Oslo Stock Exchange (ticker; Otello), holding the assets of AdColony, Bemobi and Skyfire. Otello Corporation ASA was formerly known as Opera Software ASA and has over 20 years of history. Otello as a company and brand might be new, but it will not stand still, as we will develop and endure. It is a new journey and it represents a new era for the O building on our solid history. Going forward, the brand will grow with us and our subsidiaries. Otello is about creating new opportunites - and it will grow on you - just like the opera in four acts.

A new era - and a new O
After more than two decades, the opera goes on, as Otello sets out to pursue the opportunities ahead, and grow the businesses and customer interactions of its subsidiaries, just like the company has suceeded in doing in the past. So, even though Otello might have been known as an opera for some time, it is now primarily a collection of companies within mobile advertising and apps & games.

We are shaping an open, connected world
We believe that an open, connected world – powered by great technology and services – is essential to break down barriers that limit access to information, education and fun.

Our culture is playful, people-centric and innovation-driven, and our goal is to improve communication for the benefit of everyone.

We believe in the future
More than ever technology is creating opportunities and is forming the future in a pace we have not seen throughout history. It is an era of great opportunites for individuals, companies and the society. We believe in the future and we believe in whats ahead.

- We believe in respect for our users
- We believe in an internet that preserves cultural diversity
- We believe in security
- We believe in a standards-driven web that promotes access by all
- We believe in good employment
- We believe in privacy
- We believe in social responsibility

WHO IS OTELLO?

Otello happens to be the name of an opera by Verdi, based on Shakespeare's Othello. At the same time, Otello used to be known as an opera. Otello Corporation ASA used to be Opera Software ASA. Otello develops, produces, and sells services in the areas of mobile advertising, apps and games, as well as solutions for data compression. The company owns three businesses AdColony, Bemobi and Skyfire. AdColony provides mobile advertising and marketing platforms to brands, agencies, publishers and application developers to drive engagement within brand and performance.

Bemobi offers market leading subscription services for various applications, making it possible to subscribe and get access to a suite of apps and games. Otello's unique data compression technology, offered by Skyfire, helps telecom operators open up new sources of income and data-driven revenue streams while making sure it is possible to offer fast and reliable data streaming services as mobile video consumption is booming among users across the world. In addition, Otello holds a 27% share of Vewd Software (formerly Opera TV), the market leader in offering OTT solutions enabling customers and partners to reach connected device viewers.

ADCOLONY

AdColony is a mobile advertising platform focused on delivering performance and outcomes for brands, agencies, publishers and app developers, through high quality advertising on mobile devices with a global consumer audience reach that exceeds 2 billion.

Bemobi

Bemobi is a mobile media and entertainment company integrating people and mobile content through technology and distruptive services with presence in more than 12 countries in Latin America and Asia and a reach of over 10 million mobile users.

otello™

skyfire

Skyfire enables mobile operators to optimize their network performance and quality as data traffic and the consumption of mobile video is exploding. The unique compression technology opens up new business models and revenue streams for operators.

vewd

Vewd is the market leader in enabling the transition to OTT (over the top). Vewd's suite of OTT solutions enable customers and partners to reach connected device viewers. Among others, companies like Sony, Verizon, Samsung and TiVo utilize Vewd's solutions.

CEO LETTER

In December 2017, Opera Software ASA officially changed its name to Otello Corporation ASA. 2017 was a year of transition and transformation for Otello. Following the sale of the Consumer and TV businesses in 2016, our four remaining businesses entering 2017 were: AdColony, Bemobi, Surfeasy and Skyfire. Otello continued its path to drive shareholder value and sold SurfEasy in 2017 for more than twice the purchase price paid in 2015. Bemobi continued its global expansion and 2017 was yet another record revenue and profit year. For AdColony, 2017 was a turnaround year with a change of management, cost optimization and a return to focus on core products and markets. The hard work carried out during the year in AdColony sets us up for a return to profitability in 2018. Skyfire completed its turnaround and returned to profitability in the second half of 2017 after significant cost cuts.

The focus on cash flow and divestures have enabled Otello to buy back close to 5% of its outstanding shares in 2017, while at the same time repaying all interest-bearing debt. Otello now finds itself in a very strong financial position which will enable us to return more cash to our shareholders as well as providing solid backing to the three remaining businesses.

I would like to take this opportunity to summarize the past year.

Summary of 2017

Otello's operating revenues fell by 21% to $419.0 million in 2017 (2016: 532.2 million), driven by a decline in AdColony, which was partly offset by growth in Bemobi. The decrease in revenue in AdColony was mainly due to slower product launches and ramp up of new products. By the end of 2017, AdColony had already begun to focus on fewer and more profitable products and markets. Operating expenses, excluding one-time costs, decreased by 16% to $450.9 million (2016: 538.1 million), due to lower publisher-payout costs, as well as aggressive cost cuts in the AdColony business.

Otello delivered Adjusted EBITDA (excluding costs for restructuring the business) of $13.5 million (2016: 49.4).

2017 saw a 25% decline in revenue from AdColony in a year that focused heavily on product development and restructuring. In 2017, we initiated a restructuring program in AdColony which will have material impact on 2018 costs and is expected to yield over $50 million in annualized OPEX savings over the cost level entering 2017, with close to full effect from early 2018, as we target an annual OPEX base of around $90 million. Bemobi had organic revenue growth of 10% and we are well on our way to taking this Brazilian success global. We made significant efforts to streamline the Skyfire business around the Rocket product. And finally, SurfEasy was sold for $38.5 million in November 2017, and is treated as discontinued operations in the financial statements.

Focus areas for our three remaining businesses

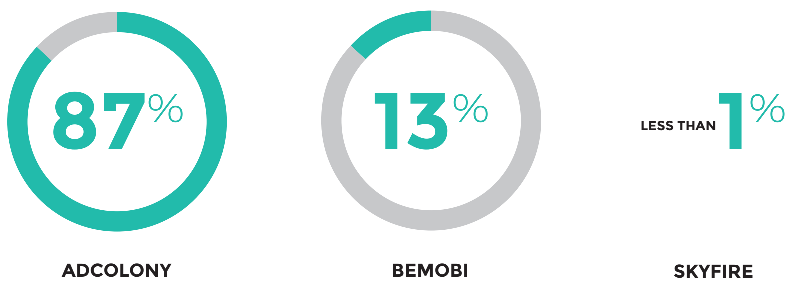
As we move into a new chapter in Otello's history, I have the following goals for the three remaining businesses which I believe will help us maximize shareholder value: (1) grow revenues; (2) increase margins; (3) exercise tight cost control; (4) develop unique and relevant products that set us apart from the competition; and (5) ensure that the businesses scale well.

Lars Boilesen

YEAR IN NUMBERS

REVENUE
[NUMBERS IN USD MILLION]

REVENUE SOURCE



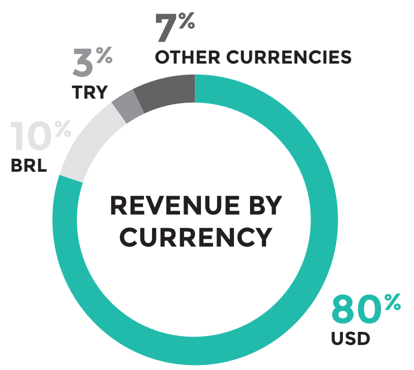
REVENUE BY REGION
[NUMBERS IN USD MILLION]

AMERICAS: 230.2
EMEA: 135.6
ASIA PACIFIC: 53.2

THE COMPANY IS A PUBLIC LIMITED COMPANY THAT IS LISTED ON THE OSLO STOCK EXCHANGE UNDER THE TICKER **OTELLO**

90%

IN MOST COUNTRIES WHERE BEMOBI IS OFFERING ITS SERVICES, ANDROID IS THE DOMINANT MOBILE OPERATING SYSTEM WITH A MARKET SHARE OF CLOSE TO 90 PERCENT.



604 EMPLOYEES & EQUIVALENTS

60% / 40%

MORE THAN **38** NATIONALITIES REPRESENTED IN THE STAFF

TEAMWORK TAKES PLACE ACROSS BORDERS AND TIME ZONES

ADCOLONY IS EXPANDING ITS REACH TO MORE THAN **2 BILLION** MOBILE USERS WORLDWIDE

ADCOLONY
39/40 TOP PUBLISHERS ON OUR NETWORK CURRENTLY RUN IMPRESSIONS THROUGH 3.X

BEMOBI REVENUES GREW BY **10%**

COMPARED TO 2016, DRIVEN BY THE STRONG GROWTH OF INTERNATIONAL SUBSCRIBERS AND REVENUES, AS WELL AS CONTINUED GROWTH IN LATIN AMERICAN SUBSCRIBERS

BEMOBI SUBSCRIBERS
[NUMBERS IN MILLION]

4.7 INTERNATIONAL
BEMOBI SUBSCRIBERS
15.6 LATAM

AT YEAR END BEMOBI HAD **54** PARTNERSHIPS

BEMOBI PROVIDING ACCESS TO OVER **2** BILLION CONSUMERS

AIRTEL AND AIRCEL INDIA APPS CLUB WAS LAUNCHED DURING 2017, GIVING APPS CLUB CLOSE TO A **100%** COVERAGE IN THE INDIAN MARKET

EARNINGS PER SHARE
$ (0.46)

SOLD

SURFEASY WAS SOLD FOR $38.5 MILLION IN NOVEMBER 2017

65.2%
NORWAY-BASED SHAREHOLDER ACCOUNTS

IN 2017, ADCOLONY WON AN ASTONISHING **62** CREATIVE AWARDS AROUND THE GLOBE


ADCOLONY

Sekip Gokalp, COO, AdColony

Andrzej Dzius, CTO, AdColony

MOBILE ADVERTISING IS GROWING

ADCOLONY LOOKS AHEAD

Mobile advertising continues to grow, and AdColony plays a core part. While the global advertising industry continues to experience a macro shift from traditional to digital channels, with mobile increasing its share rapidly, AdColony is making strides to more effectively engage over 2 billion mobile users worldwide.

The shift from traditional to digital is fueled by several factors as consumers spend more and more time engaging with apps on mobile devices. At the same time, mobile advertising is more efficient and effective than traditional offline advertising thanks to its targeting, interactivity, and measurement capabilities.

AdColony is a marketing platform focused on delivering measurable outcomes for brands, agencies, publishers, and app developers through high-quality advertising to users on mobile devices around the world. AdColony's technology powers monetization for the most popular global publishers, and enables marketers to engage with audiences on the most personal and important screens in their lives. AdColony delivers highly interactive and engaging advertising experiences across formats including full-screen video ads, interactive video ads, playable ads, banner display ads, interactive rich media ads, and native advertising. The company has proven to push creative boundaries and be first to market with innovations to lead the mobile ad economy.

AdColony's future growth will be fueled by a number of factors: (i) the global growth of smartphone adoption, which now surpasses 5 billion users globally, with smartphone users spending significantly more time engaged with their mobile devices than feature phone users; (ii) AdColony's increasing reach and "anytime, anywhere" access to over 2 billion users, which offers more opportunities to engage than through the world's 2 billion desktops; (iii) strong targeting capabilities that enable campaign optimization around meaningful amounts of aggregated information about mobile users, such as location, demographics, and behavior; (iv) high performance and user response rates from Android and iOS smartphone devices, which support highly interactive and entertaining ad formats due to advanced SDK-enabled technologies, strong graphics processors, and fast processing speeds; (v) widespread access to high speed wireless data networks, which enables the consumption of high-quality rich media and video content on mobile devices; and (vi) rapid increase in consumer time spent in smartphone mobile applications in particular, as developers have been able to deliver highly intuitive, engaging, and personalized content experiences within the app environment, capitalizing on native operating system software development kits (SDKs) which facilitate the full harnessing of a mobile device's processing capabilities and functionality.

A global colony of mobile advertising

AdColony's goal is to elevate the state of mobile advertising through innovative full screen ad units with a focus towards providing the best user experience, protecting privacy, and otherwise providing value to the mobile ecosystem. With long-standing relationships with our third party partners – which include the world's largest brand and performance advertisers, ad agencies, publishers, data and attribution platforms, and application developers – AdColony's mission is to be the highest quality mobile advertising platform in the world, delivering innovative experiences that evoke emotion and drive real outcomes fueled by data, technology, and creativity.

With a reach of 2 billion unique devices and a market-leading SDK footprint in the top ranked apps, AdColony is the strongest among all independent advertising platforms and provides a strategic advantage in the marketplace.

AdColony's objective is to grow its market advantage through:

- Expanding off our proprietary Instant-Play™ technology to grow our share in the video market, fueled by a focus on the most innovative brand experiences that drive real world outcomes and ROI for our clients.

- Lead the market in performance advertising, servicing the largest performance advertisers in the world, delivering both scale and high-quality users with a high lifetime value to our clients.

- Expanding our SDK footprint among top-ranked apps by leveraging the appeal of our high-value innovative ad formats and highest quality user experience coupled with our expertise in helping publishers monetize, engage, and retain high quality users.

- Strengthening our relationships with current publisher clients through technology improvements and strategic deals to both unlock new business opportunities in additional inventory and to scale already successful integrations to deliver more impressions.

- Helping both Brand and Performance advertisers reach targeted audiences globally, delivering actions and outcomes that feed their strategic and financial objectives both effectively and cost efficiently.

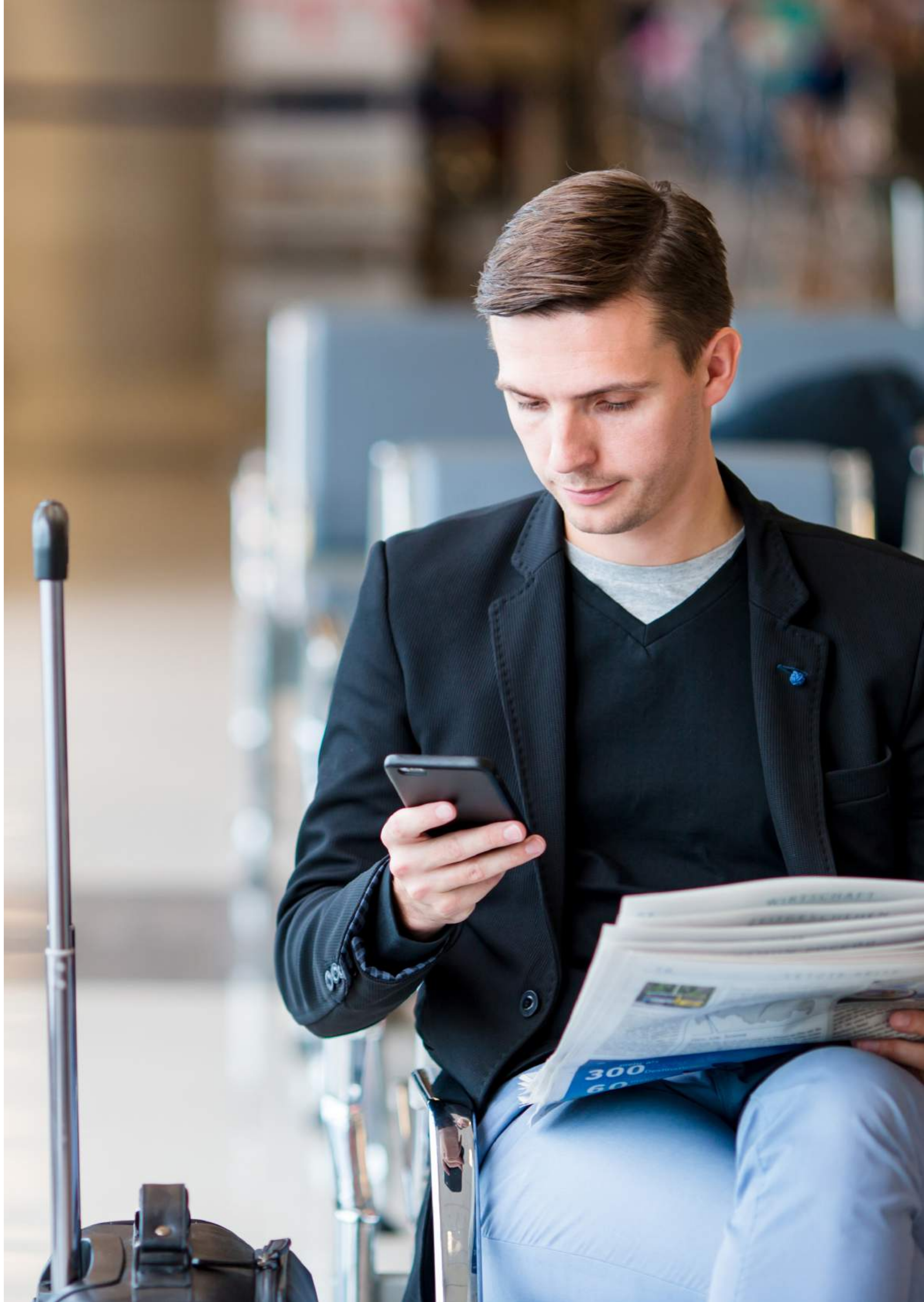
- Leveraging data, machine learning, and artificial intelligence for ad serving that delivers targeted audiences at scale while being transparent on our data use policies and practices all around the world.

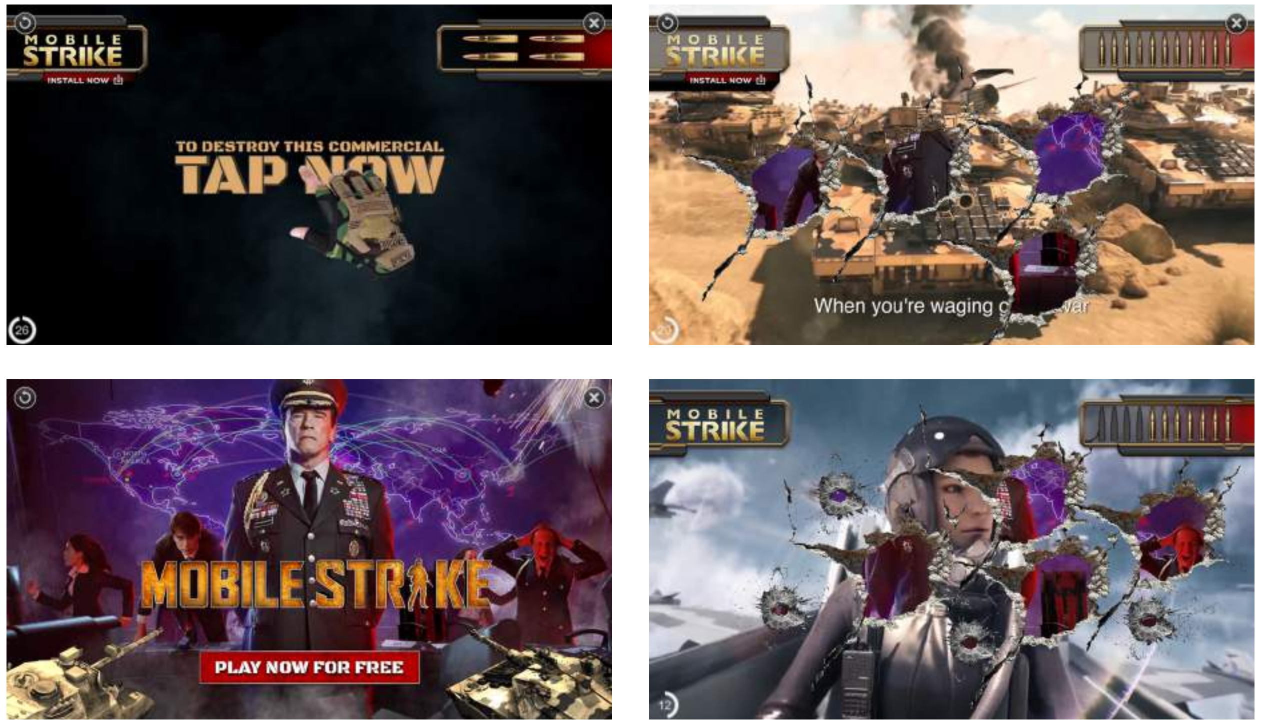
- Providing creative expertise via our inhouse creative agency, Skylab, which develops purpose built, award-winning creative campaigns optimized for mobile screens that leverage the proprietary interactive capabilities of AdColony's SDK to deliver campaigns that helps our clients deliver messaging that maximizes their return on ad spend.

- Being a leader in premium programmatic technologies and processes, that balance brand safety for both publishers and advertisers, with automation, data targeting, and high quality consumer marketing experiences that deliver real results.

- Our global footprint, with deep publisher and advertiser relationships, serviced by over 20 offices in locations around the world.

AdColony offers brand advertisers the ability to build their brands and engage with consumers by offering creative services, sophisticated audience targeting capabilities, significant audience and publisher reach, high levels of transparency and measurability on ad campaigns, and support for highly interactive and engaging advertising experiences on a full range of mobile devices, including video ads, banner display ads, and interactive rich media ads. Moreover, AdColony offers advertisers the ability to purchase advertising through the traditional insertion order (IO) "managed service" method and electronically via AdColony´s real time bidding (RTB) and programmatic platform. AdColony's strength is in mobile video advertising, where we have differentiated product offerings with Instant-Play™ video ad units. Our proprietary Instant-Play™ technology excels in delivering innovative, TV-like, crystal clear video ads instantly in HD across the most popular iOS and Android smartphone and tablet apps in the world. The video ads can be shown "anywhere" as part of a native app experience, not just as part of other video content. AdColony's proprietary Instant-Play™ video ad technology eliminates latency and long load times for video, providing the highest quality video experience for advertisers, publishers and consumers, with interactive elements to drive engagement, action and results. In addition, AdColony´s highly interactive endcards are tailored for mobile engagement, for both app installation and calls-to-action for brands.





We also excel in Performance advertising, driving a significant number of high quality application installs and other desired advertising outcomes for clients looking to acquire new users. We provide performance advertisers with comprehensive real-time targeting, real-time bidding (RTB) and real-time reporting tools on both "cost per install" (CPI) and "cost per action" (CPA) campaigns, to secure a variety of outcomes including customer sign-ups, lead generation and mobile application downloads. Customers include the majority of the AdAge Top 200 Global Advertisers, including campaigns for brand advertisers as Capital One Bank, Google, Kellogg's, Microsoft, Mars Advertising, McDonalds, Verizon, Starbucks and Unilever. In addition, AdColony runs campaigns over 85% of the top grossing app developers in the world across both iOS and Android. For mobile publishers and app developers, AdColony offers advertising technology, highly intuitive reporting and analytical tools and access demand (AdColony's direct sales force and through the AdColony Marketplace from leading third parties, helping these publishers maximize revenue from their content and user base. At the core of AdColony's success premium publishers and developers is the technology platform and software development kit (SDK). The technology platform success with mobile publishers stems from five major sources:

1. High quality monetization options. Proprietary Instant-Play™ HD video technology enables publishers to integrate video ads into their content in a variety of ways, including pre-roll, interstitial, rewarded, and native placements. This provides publishers with monetization flexibility while upholding a positive user experience, thereby maximizing revenue to publishers. The Instant-Play™ HD video ads eliminate latency and run in high definition, delivering differentiated value to the advertiser, publisher, and end user.

2. Extensive premium mobile ad demand. AdColony is able to offer publishers access to demand from the majority of the AdAge Top 200 global advertisers and demand from over 85% of the 100 top grossing app developers in the world.

3. Programmatic offering. In addition to AdColony´s managed service offerings, we have the AdColony Marketplace that offers real-time bidding (RTB) that brings advertisers, ad networks and agencies together with mobile publishers and app developers for an efficient, automated media buying and selling experience. Through the programmatic marketplace, publishers have access to a range of demand-side platforms (DSPs), facilitated by new audience segmentation and expanded targeting capabilities, designed to improve monetization of publisher properties. Publisher customers can also choose the option of setting up private marketplaces for their inventory, which brings in diverse demand sources while still maintaining publisher control.

4. Data Management Platform. Building on a legacy as a trusted partner for the management of a publisher's private data, AdColony also offers a cooperative DMP solution. Here, publishers can opt-in, consistent with their privacy policies, to share non-personally identifiable information about their consumers to improve ad targeting capabilities and drive better monetization. This helps both publishers to pool their data to provide better targeting to advertisers looking to easily identify and reach their target consumer.

5. Ad Serving & Campaign Management capabilities. Powerful rich media ad serving, targeting and analytics; management, uploading, scheduling and control of "house" ads and directly sourced advertising; targeting and analytics; management, uploading, scheduling and control of "house" ads and directly sourced advertising.

GREAT OPPORTUNITIES AHEAD

A UNIVERSE OF USERS CRAVING MORE OF US

2017 has been a year of creating alignment within business and technology. The focus within R&D has been repositioned. AdColony has invested heavily into the SDK while building a platform of mobile advertising for the future. The result is a suite of new products ahead.

AdColony still holds a strong market position – particularly within mobile video and among performance advertisers – and it has several key areas growing faster than the market, including its programmatic offering and its business in EMEA and Asia Pacific.

Video is one of the hottest segments across mobile advertising today, and AdColony is well positioned in this space with a solid footprint which should make it possible to continue to grow the market share further.

With much of the unification of the company organization completed in 2016, 2017 was a year of optimizing the resulting structure. Now, AdColony has a unified organizational structure that is both efficient and lean, a notable feat for an organization that was once 11 separate companies acquired over the course of 6 years.

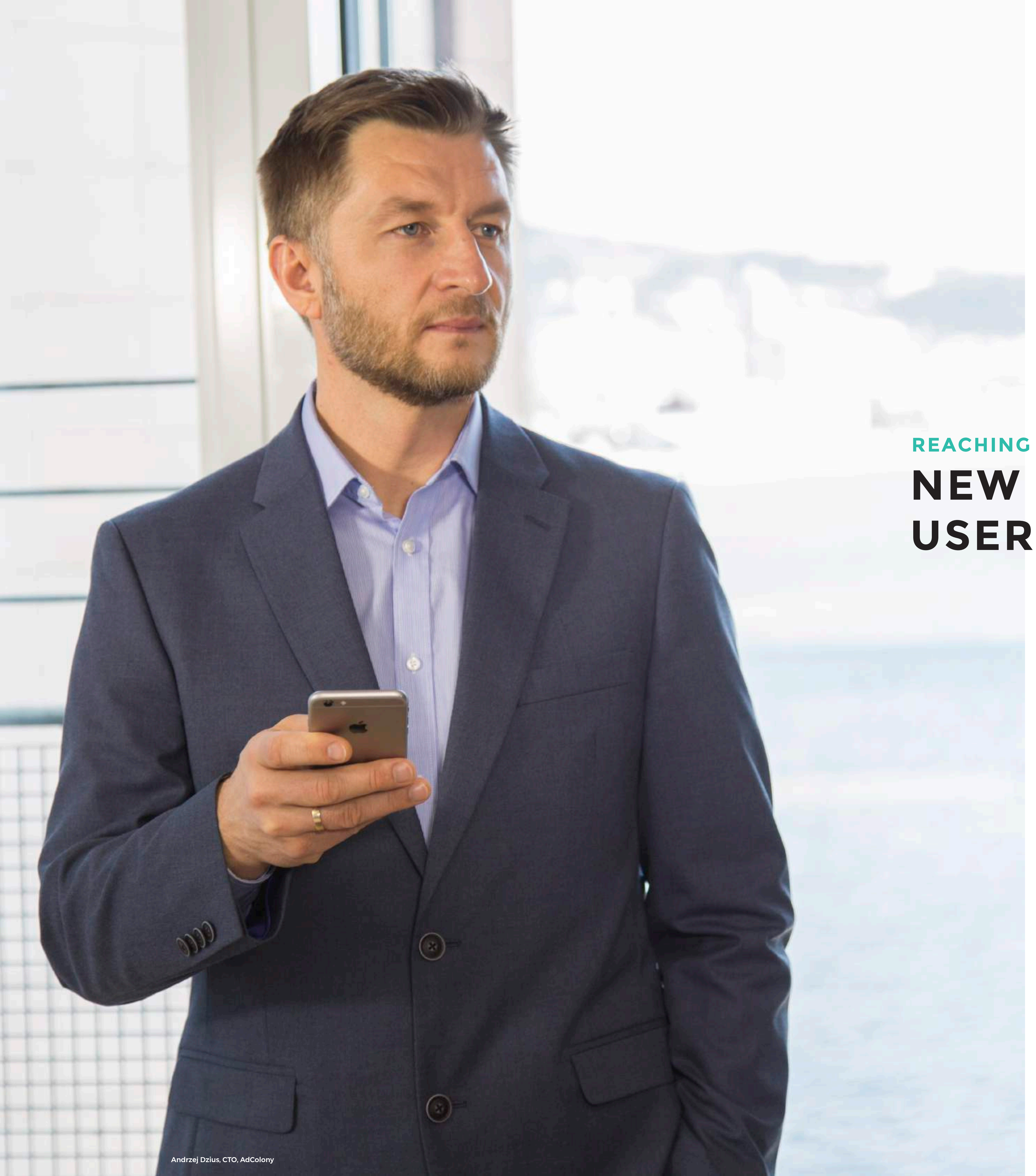
Times Are Changing

2017 was an inflection point within media and advertising wherein digital advertising surpassed television advertising in the US, and the majority of this digital spend was on mobile. In 2018, mobile advertising alone is expected to surpass television as it continues to grow at a faster pace than any other advertising channel.

Likewise, the number of apps on which brands can advertise continues to increase. With over 6 million apps now vying for the attention of a relatively finite number of users, competition has increased for user attention, engagement, and retention. As a result, advertisers and developers alike have begun to sort through the noise and focus on partnerships with parties that are dependable and offer high quality results. Through this market shift, AdColony's innovative technology and expansive SDK footprint in the top apps have allowed it to remained a top partner. Indeed, a majority of the AdAge Top 200 advertisers and over 85 percent of the top app developers turn to AdColony for their mobile advertising and monetization needs.

To secure and bolster this market position going forward, AdColony spent much of 2017 improving its technology to be both more reliable and more effective, an investment that is positioning the company well for success in 2018.

Sekip Gokalp, COO, AdColony



Andrzej Dzius, CTO, AdColony

REACHING NEW HEIGHTS WITH KEY PRODUCT ROLLOUTS

NEW SOLUTIONS ENGAGE USERS AROUND THE GLOBE

While product and technical improvements were underway all year, the second half of 2017 saw the most notable progress in projects that will be key to 2018 success. These projects included both initiatives designed to improve our market position with publishers and advertisers as well as initiatives designed to improve efficiencies and scale in new markets.

Key accomplishments included the launch of the 3.3 version of the AdColony SDK, several improvements to the Core™ yield optimization engine, advancements in improving return on ad spend for advertisers, infrastructure deployments to enable scaling the business in China, viewability tracking integrations for brand campaigns, measures to scale the higher priced playable ad units, and more.

Improving Offerings for Advertisers

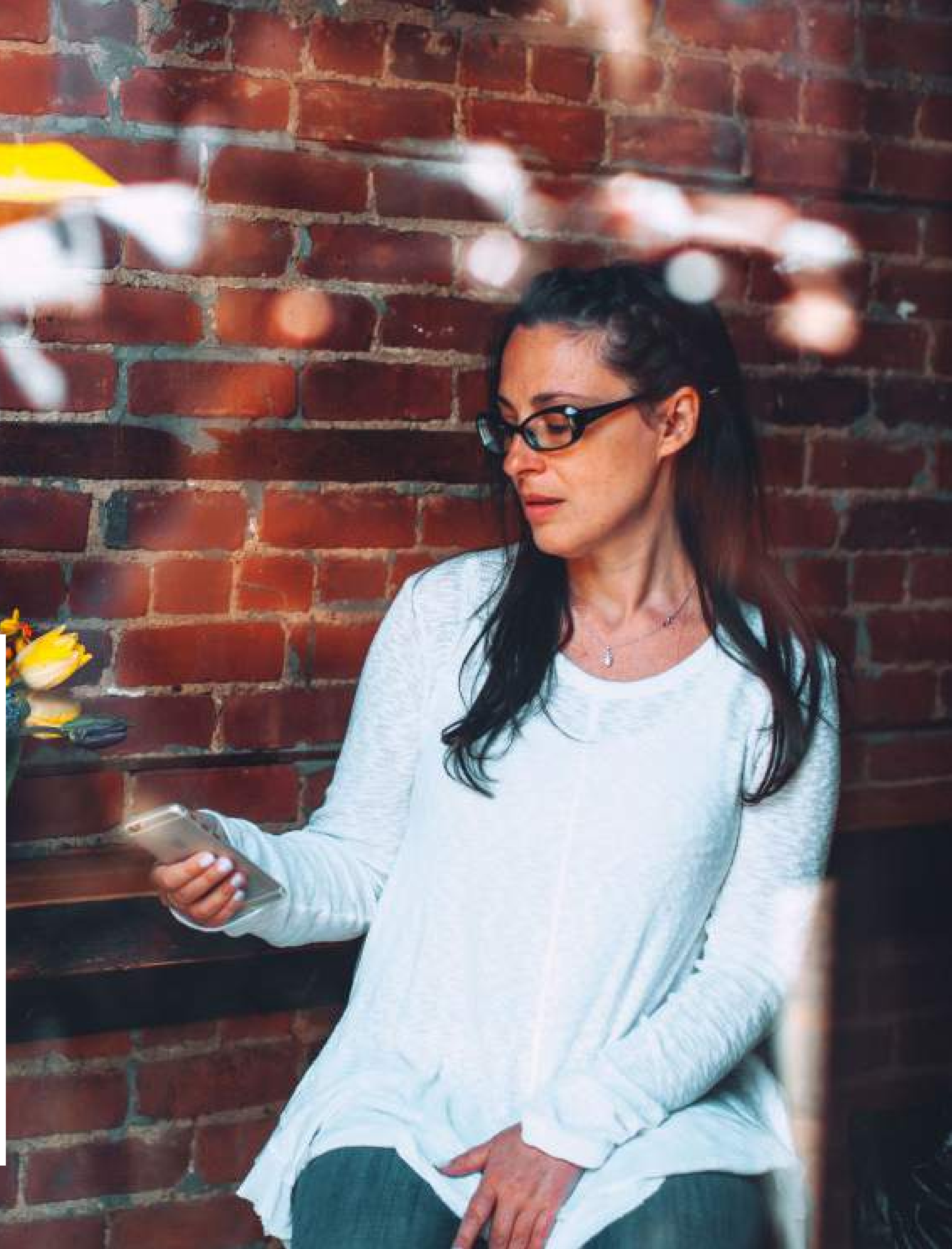
SDK updates. The Product and Technical teams developed and released version 3.3 of the AdColony SDK in late 2017. In addition to stability improvements and memory optimizations designed to appease publishers and improve the user experience, the 3.3 SDK also featured support for additional viewability reporting providers, thereby enabling higher value brand campaigns to run on more inventory on the platform.

Publisher revenue controls. As an ad's placement in a publisher's waterfall can notably affect ad performance and thus value, the AdColony Product and Tech teams rolled out several new publisher revenue control mechanisms in 2017 in order to improve AdColony's position in publisher waterfalls. The effects of these new mechanisms will become increasingly apparent in subsequent quarters.

Improving ad fill. Another area of opportunity that the Product and Technical teams identified in 2017 was that of ad fill rate, which is the percentage of times an ad is shown via the SDK after a publisher requests it. To ensure ads are delivered even when the user's network connectivity does not permit a video to be fully pre-cached, AdColony has begun to develop an adaptive caching system. Designed to maximize ad delivery while improving cache efficiency, the benefits of this system are expected to be realized in 2018.

Improving Offerings for Advertisers

Core™ enhancements. Improvements continued on AdColony's Core™ yield optimization engine, with the addition of a robust experimentation framework in Q4 2017. Use of the new framework was helpful in developing a machine learning model – which was fully deployed in Q1 2018 – that has im-



proved business KPIs and helped to combat the increased downward pressure on install rate and publisher eCPMs.

Improving ROAS. Throughout 2017, the Product and Technical teams have continued to focus on building out and validating the post-install event pipeline, which were the backbone to the newly-released ROAS dashboard (early 2018) and enhanced pricing tools (early 2018). These are the building blocks for helping advertisers achieve positive return on ad spend (ROAS), which can unlock additional daily ad spend and increase bid prices.

Reporting integrations. The team finalized several key components for viewability tracking in late 2017. AdColony was the first to launch in-app viewability with the three leading ad quality & viewability vendors (Moat, Integral Ad Sciences, and DoubleVerify). AdColony also developed a proprietary technology that facilitates programmatic measurement for in-app video viewability tracking in programmatic advertising. The go-to-market launches for these new capabilities are complete, and sales is generating new deals across both managed service and programmatic private marketplace deals (PMPs).

Auction Dynamics. The Product and Technical teams continued to refine platform auction dynamics throughout 2017. The objective of this initiative is to refine the Core™ bidding engine to optimize outcomes from multiple demand sources such that publisher revenue is maximized while giving programmatic demand ample opportunity to scale. Progress toward flushing out this ad decisioning engine that maximizes the value of every impression is going well, and work on key functionality will continue through the first half of 2018.

Improving Efficiencies

Data center migration. To reduce the cost of data processing for Core™, migration from a more expensive cloud platform to our own secure data center was finalized in 2017. This migration will lower the cost burden for machine learning model calculations and data aggregation pipelines going forward.

Scaling in China

Infrastructure. China infrastructure deployment and configuration was completed in late 2017, opening the way for AdColony to scale the China business in 2018.

GLOBAL CAMPAIGNS UNLOCKS GREAT POTENTIAL

CREATING RESULTS IN A WORLD OF PERFORMANCE

A lot has changed within performance the last 6 years since AdColony was established. Today, it is not possible to talk about performance without talking about app installs. Various sources estimates the market of app installs in the range of USD 10-15 billion. And it is growing rapidly, foremost outside the US.

The business is 100 percent direct to the developer, meaning AdColony can have a small sales team that works directly with key developers, with a full feedback cycle in real-time. Rather than selling a campaign and studying a campaign, and then watching it go in order to see what happens, campaigns are being optimized in real time based on data every day, multiple times a day, sometimes even on an hourly basis. In this sense, budgets are, unlimited.

Actually, AdColony's sales team have already signed several upfront deals with the biggest developers in the world giving some clarity of pipeline into the next 12 to 18 months with an estimated potential value of tens of millions of dollars. However, it is apparent that the campaigns are producing results. It is really a new era of what some people call growth marketing. Basically, it is marketing as a revenue generator, not marketing as a cost center, contrary to how it appears on most P&Ls. And the really exciting part about this business is that it is truly global. Just one team, for example; one mobile app developer in San Francisco, can initiate and operate campaigns across more than 200 countries in 10 to 15 different languages, real time, every day, continuously optimizing on the results. It gives AdColony the ability to scale the business with a small team and build great partnerships with developers. At the same time, this business is fueled by the fact that it is truly measurable from an ad serve, to a video, to a click, to an install, to how many times you come back to that app every single day. It is fully measurable, fully attributed back to the actual ad impression and the install it created. And it's fully transparent down to the publisher and on an individual app level, making it easier for the developer running ads, to really care about where and how their ads run. Some of these developers are among the biggest brands in the world, multi-billion dollar companies built on apps that are brands themselves, and they care where these ads run and how they generate performance. The whole business is built on installs generating a positive return on the developer's ad spend, that is greater than the cost per install. If it does, it unlocks unlimited budgets in this highly recurring business of performance advertising.

The market is constantly evolving and the developers are looking for more scale, more results. If they are receiving a positive return on each impression, each install, they are always open to new ideas and new ways of thinking about creative. In short, that is how this marketplace is geared and how the flexibility plays out creating substantial possibilities.

Industry-Leading Ad Formats

Surveys of leading mobile advertisers have continued to show that AdColony holds a strong market position and that its key quality differentiators are important to them. For instance, both Spring and Fall iterations of the App Install Marketing Survey published by AdColony revealed that top advertisers are allocating a majority of their mobile advertising budgets to video, with the preponderance going to full-screen video. Indeed, advertisers reported that video accounts for 57% of all of their app install spend, due in no small part to the universally attested effectiveness of the format at driving campaign objectives. As AdColony offers the highest quality full-screen mobile video via its proprietary Instant-Play™ technology, it is well poised to capitalize on these advertiser preferences.

Similarly poised for continued success, AdColony fully launched its Aurora™ HD Playables ad unit in 2017, bringing to market a higher quality interactive ad made possible by its SDK. Since the launch, usage of playable ads has more than doubled among top spending advertisers, increasing from a 33% use rate in late 2016 to 69% in late 2017. To date, the majority of surveyed advertisers are finding playable ads to be effective, an indicator that the format will continue to grow. Indeed, budgets for this new ad format have tripled since late 2016, and further growth is expected to continue in 2018.

Driving Quality Results at Scale

In addition to offering industry-leading capabilities in advertiser preferred ad formats, AdColony is also well positioned to deliver against another market need: quality results at scale. While archaic digital campaigns on desktop may only focus on click-through rates, app install marketers have much more nuanced key performance indicators (KPIs) that they optimize toward. Simply, the competition for user attention has become a competition for user retention and maximizing user lifetime value (LTV). In this pursuit, advertisers are turning to partners that can deliver not only users at scale, but highly targeted users that will yield a greater LTV.

It is in this pursuit for quality at scale that AdColony shines.

Numerous third-party studies throughout the year have ranked AdColony as a top provider of high quality results, helping performance advertisers acquire users that have higher than average retention rates and lifetime value. Because of the quality of installs that AdColony delivers thanks to the targeting capabilities of its Core™ engine, AdColony can command a healthy cost per install (CPI) rate while still delivering a positive return on ad spend (ROAS) for its advertisers.

Of course, the definition of quality varies by advertiser, and their campaigns are frequently optimized based on very early post-install behaviors of users. To accommodate the time sensitive and nuanced needs of advertisers, AdColony continued to make advancements in its post-install event optimization capabilities in 2017 and is rolling out new features and reporting capabilities to key advertisers in early 2018. As AdColony continues to improve in this area, it is poised to further its position as a market leader in driving quality results at scale for performance advertisers.

MOBILE IS THE NEW WAY OF SEIZING THE MOMENT

PRIMETIME IS EVERYWHERE, INSTANT AND ENGAGING

Brands and advertisers wanting to connect with their audiences see mobile as an unique way of creating engagement and interaction. The world's largest brands are shifting their budgets away from television directly to digital, and specifically mobile, as marketers are looking to shift their media mix to better align to where consumers are spending time.

Primetime is no longer just prime time. It is everywhere. It is instant. It is engaging. And it is in your hands. The new rules of engagement does not come with age limitations. It comes with the joy of interacting on your mobile. It is all about today's primetime.

Think of it as the new cable TV. It resonates with many. They are not talking about TV, or to some extent not even online. They are talking about mobile advertising. And video. It brings stories to life. It brings brands to life. And that is something AdColony is well positioned to do.

What are the demands of today's advertisers? And is brand safety at its paramount?

The awakening that is taking place in the marketplace is not going away, and AdColony has a unique position, taking into consideration that the company is working with the most popular brand safe apps in the world today. AdColony offers leading brands a variety of ways of connecting with its audience worldwide. In a period in time where there is a great focus on social platforms, even though social only represents approx 25 percent of time spent on our mobile devices, it is time to shift the focus in the direction of mobile and video.

When we look at today's primetime, we focus on the top 1000 apps in the world - the apps that people are personally passionate about. AdColony is able to deliver advertising that is part of the experience and people aren't abandoning the experience because of the advertising. Think of it as a 30-minute television show, which today is 23 minutes of content and 7 minutes of advertising. With AdColony brands are able to create the exact right ratio, not just with a mission of serving impressions. AdColony is looking to assist the brand becoming a part of the experience, be integrated in the experience, which is made possible by AdColony's unique SDK. A way AdColony has been working on adding additional value to brands and advertisers, is by taking all of those signals and building a product called True Audiences. Due to the reach and the underlying technology, AdColony has a broad understanding and foresight of what people are doing, and we can see the type of content that they are spending time on. AdColony sees the types of ads that the users engage with. Today, our apps really reflect who we are as human beings, the things we're passionate about and at AdColony we believe that is an incredibly important signal for marketers to really get closer to the customers that they are trying to engage through a targeted approach.

As a part of AdColony's development of True Audiences, more than a dozen core segments was built and it has proven to be incredibly effective. At the same time, AdColony is starting to work with many brands to build custom segments. So while True Audiences are more or less straight off the shelf, they are proven and they perform really well. In collaboration with customers, AdColony is now in the process of customizing this for the right type of ads to the right consumer as many advertisers have different demographics and psychographics. AdColony can create something special for each brand.

62 awards in 2017

In 2017, AdColony won an astonishing 62 creative awards around the globe, yet another testament to the quality of work produced by its internal creative studio Skylab. For AdColony, as a brand organization, an important goal is to try to reduce the friction in terms of how brands want to transact with the company. As a result, marketers can transact with AdColony in 3 different ways: via our private marketplace, our open marketplace, and via our managed services.

The private and open marketplaces are currently offering the most top line growth for the company, and the potential for growth here is expected to accelerate moving forward as the return on 2017's restructure and technological investments are realized. Managed services remains a higher margin business that encompasses our full suite of services, including custom creative, account management, and reporting. Managed services caters to the majority of AdColony customers, including Fortune 500 brands and advertisers representing the top grossing mobile apps.

By offering both direct and managed means to transact with AdColony, the company is well positioned to work with all advertisers, marketers, and brands, regardless of their individual needs.

Going into 2018, AdColony is strengthening its long-standing relationships with customers, which is expected to open up opportunities for growth.

EXPERIENCED, TALENTED AND SKILLED MOBILE AD EXPERTS

Values and Employee Branding

People come to AdColony because they want to be challenged, and contribute to the future of mobile ad technology. They stay because of the collaborative and engaged culture, emphasis on continuous growth, and opportunity to go beyond both personally and professionally.

We live by the creed, "one team, one dream." We work and win as a team with a shared commitment to our mission and vision. Each team member has a unique background, skillset, and perspective that is leveraged towards our collective success as a company.

Working at AdColony means that we know our employees are the best at what they do, and they are empowered to define the vision of their contribution to the success of the overall goals of our company. We give our employees the opportunity to lead in their roles and we reward them for that success in kind. We ensure that employees have the tools and internal support they need to grow and develop in their careers.

We are passionate about providing high quality mobile advertising experiences to our clientele, and because of this we don't take shortcuts for "instant gratification". We believe that customer service, bar-raising standards, and next-level innovation will build stronger relationships for the future.

This same commitment to quality, integrity, and respect translates to our workplace. We treat our employees with care and pride ourselves on a culture rooted in respect, integrity, and an unwavering commitment to be the best. It's an essential ingredient for our success.

At AdColony, we believe in the power of open and dynamic communication. Whether at our global all-hands meetings or chatting with executive leadership at our regional Q&A's, our employees stay up-to-date on our company's successes, challenges, and opportunities. We pride ourselves on a team that not only understands our company's vision and strategy, but knows how they directly impact those goals.

Talent Acquisition

Our primary focus in talent acquisition is in finding the right cultural fit in our new hires. We believe that culture is everything, and that if a candidate exhibits the values and competencies we believe in and live by, the rest –including success – will follow.

Our Talent Acquisition team works globally to ensure alignment across regions and continuously adapts to changing organizational initiatives and priorities.

With an increased focus on referrals from our employees, 2016 was a record year for hires through our internal network. A full 48% of our open roles for the year were filled through internal networks. With a strong focus on tech, product and data science hires - areas of intense competition in our market - being able to leverage our trusted networks to continue to build our company and brand is tremendously valuable.

Career Development

At AdColony, our aim is to develop careers through agile performance. This means we are development focused; increasing behaviors and results needed to enhance performance capability. We are about performance tracking and coaching by immediate feedback all throughout the year.

We empower employees to take ownership of their personal development and career growth. Managers recognize that developing people is an important day-to-day management practice. AdColony makes the development of our people a business priority.

Because of our commitment to continual growth and improvement, AdColony has moved to a quarterly goal setting and review process in 2018. This will help our employees better stay on track to deliver on current business needs while also ensuring that they are motivated and performing highly throughout the year.


BEMOBI

A NEW WORLD OF APPS & GAMES

PLAY IT OUT..NOW!

Apps and games is not just great fun, it is considered to be a core part of the mobile experience for an increasing number of users. The cornerstone of Otello's Apps & Games offering is AppsClub by Bemobi, a leading subscription-based discovery service for mobile apps across new markets. In short, it is a "Netflix-style" subscription service for premium mobile apps.

Working with mobile operators, Bemobi's proprietary app-wrapping technology allows smartphone owners access to unlimited use of premium mobile apps for a small weekly 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.

Otello announced the acquisition of Bemobi in second half of 2015 and 2016 was Bemobi's first full year of operation as a part of Otello. Bemobi has enforced 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 provides a comprehensive distribution and monetization service for premium, freemium and free application developers. Apps & Games is a rapidly growing business area in Otello. The pace is picking up fast, and only during the last year, the revenue growth has increased substantially. This has been possible due to Bemobi's strength in distribution and monetization of premium mobile applications.

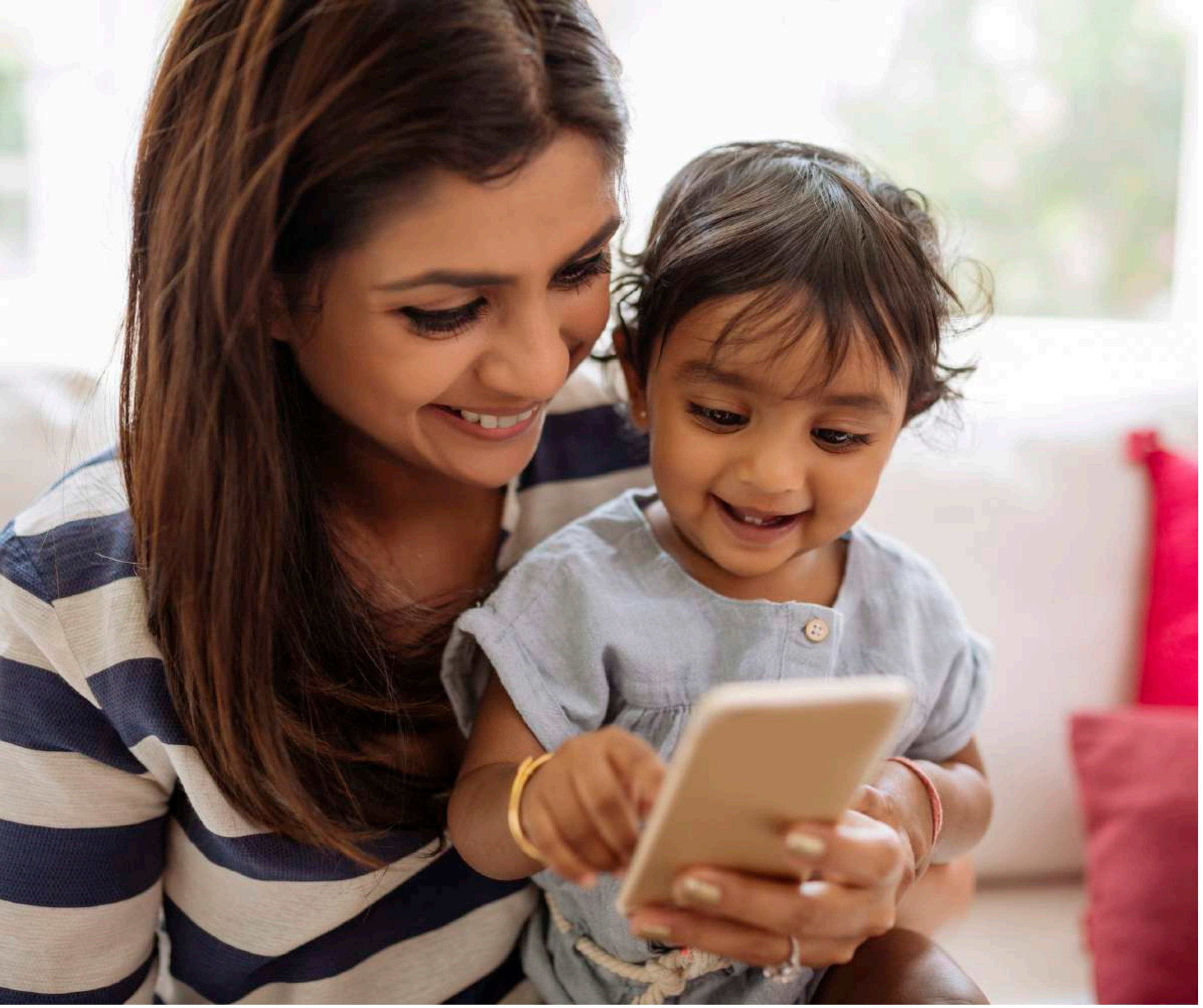
In a nutshell, Bemobi, is a so-called B2B2C company. Instead of selling directly to a consumer, so-called traditional B2C, Bemobi typically partner with large companies, mostly mobile carriers or in some cases smartphone OEMs. Through partnerships with these companies, Bemobi is able to offer its service to the consumers. Going into 2018, Bemobi has a wide range of partnerships with various carriers spread across the world, making it possible to offer subscription-based services providing access to apps and games tens of millions of consumers.

Geographical Expansion

2017 was a key year in the global expansion of the apps & games subscription services. Bemobi further expanded its distribution partnership growing from 46 mobile carriers at the end of 2016 to 56 carriers covering most emerging countries at the end of 2017.

In 2017 Bemobi launched its flagship gaming service with Airtel and Aircel from India giving Apps Club close to 100% coverage in the fast-growing Indian market. There were also new Apps Club launches in Ukraine with Kyivstar, in Indonesia with Axis, in Nepal with Ncell, in Pakistan with Telenor amongst others.

With these new launches the addressable market of users for our paid services reached approximate 2.2 billion mobile subscribers. The total number of subscribers of Bemobi's paid services grew 19.1% from 17 million paying subscribers to 20.3 million by the end of 2017.



An evolution in channel mix

2017 was also a very important year in evolving the channel mix used to acquired new subscribers for Bemobi.

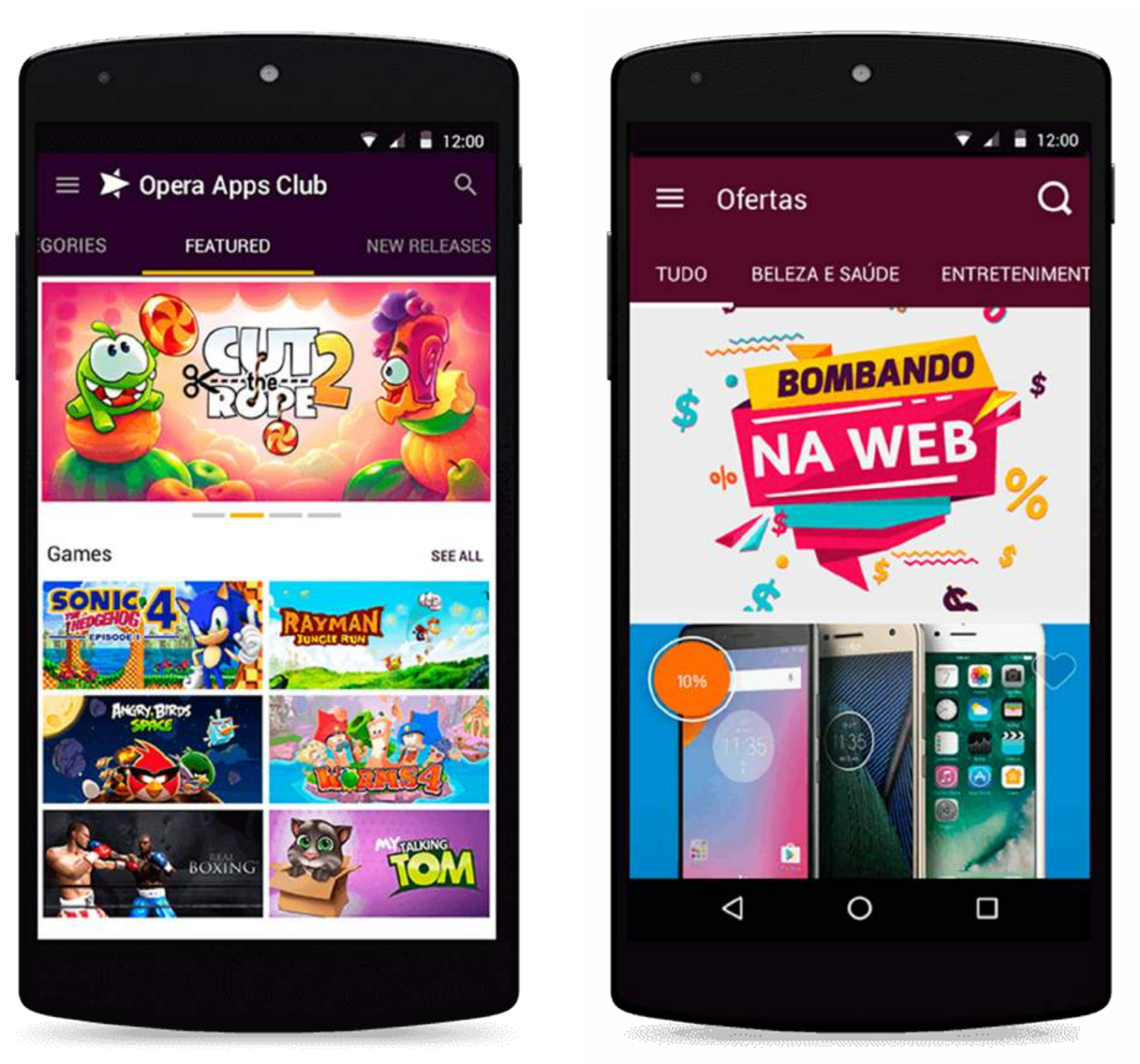
Bemobi's NoCredit & NoData smart captive portal platform that was used as a key acquisition channel in partnership with mobile carriers in Brazil, launched with new partners across many countries such as Vodafone in Ukraine, Banglalink and Grameenphone in Bangladesh, Tata Docomo India amongst others. These successful launches are a very important milestone as they validate that the model that was very successful to drive growth for Bemobi in Brazil can be replicated in many other geographies beyond Latam.

In addition to the NoCredit & NoData portals, Bemobi has expanded its investment in other third-party acquisition channels beyond Opera Mini. These new channels not only provide a healthy diversification from Opera Mini but helps Bemobi to reach more users that it was not able to access before.

New products paving the way ahead

In 2017, Bemobi started to bundle some of its subscription 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 in the second half of 2017.

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. This first case, shows that the subscription model has a good fit for game distribution beyond a pure mobile offer.



AppsClub

Apps Club is the official Android apps subscription offer for many of the top mobile carriers and smartphone OEMs in the world. Apps Club is the leading Apps subscription service in terms of addressable market reach, content quality as well as in total active subscribers. Apps Club reaches ±2B and unlocks the potential of Apps Distribution and monetization in Emerging markets. With emerging markets in mind, it has no need for credit cards as it provides carrier billing for 100% of its addressable users, therefore unlocking a huge monetization potential where credit card penetration is low. Also, there is no need for a data plan to download new apps – all app downloads within Apps Club can be done for free independently of users having purchased a mobile data plan, making the service accessible for all.

Bemobi also singed many new high-profile game/content publishers to join its distribution platform, including leading brands such as Disney and Viacom.

Bemobi expanded its partnership with Truecaller launching a joint subscription service with Oi in Brazil with the plan to expand this success case to other countries and carriers.

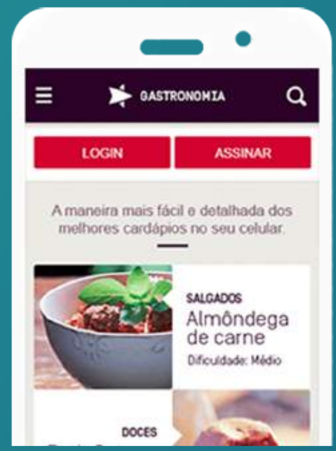
Last Bemobi partnered with BT-Fit, the leading Latam fitness app to power a fitness subscription services to be distributed by all carriers in Brazil.

In most countries where Bemobi is offering its services, Android is the dominant mobile operating system with a market share of close to 90 percent. At the same time, with the exception of the US, emerging countries dominate in terms of app downloads, how-

NO DATA
PORTAL

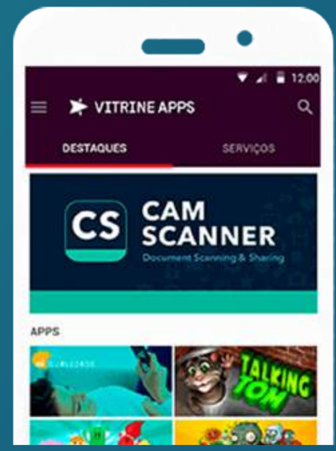
NO CREDIT
PORTAL

HEALTH & LIFESTYLE
PORTAL



GASTRONOMY
PORTAL

EDUCATION
PORTAL



APP SHOWCASE
PORTAL

ever, in these markets monetization is difficult for app developers. In short, this provides an interesting opportunity for Bemobi, as it offers a totally new way of distributing apps and games by connecting users, mobile carriers and app developers to the benefit of all parties. The result is more fun for mobile customers, new revenue streams for mobile operators and increased monetization for mobile app developers. However, monetization is not easy in a lot of these markets as credit cards are not widely available. Not everyone has a credit card, but in many developing countries, almost everyone has a mobile phone. It is mostly prepaid plans, and through Bemobi, customers are given the opportunity to use airtime as a way of paying for digital content.

Bemobi is based on the strategy of closing the gap between all of these differences and difficulties. The result has become a very scalable, rapidly growing and profitable business.

As an example, limited data packages as a bundled part of the mobile plans in emerging markets, could create difficulties, if it would result in customers not downloading apps and games even though they wanted to do so. In order to resolve this, Bemobi has developed a solution that makes it possible to deliver apps in smaller sizes, partly leveraging WIFI for free-access to download and distribution. At the same time, Bemobi are able to offer mobile operators a platform for interacting with its customers offering additional data packages and other services which actually is tailor-made and delivered by Bemobi. In this way, Bemobi also adds value to the mobile operators, contributing to create new and additional revenue streams across its customer base. At the same time, Bemobi benefits from better access and increased potential engagement related to subscription of apps and games through its Apps Club.

Apps Club by Bemobi is a concept developed on the basis of a crucial acknowledgment: The app economy has really just been two-dimensional, dominated by two strongly differentiated business models, the left and the right. Either it is based on offering free apps purely based on advertising, in contrast to, paid apps which users either pay to download or customers do small in-app transactions. Although this market is being highly dominated by 2 players, Google and Apple, Bemobi realized that there is a great opportunity to develop the middle ground, as it offers a set of untapped business opportunities. Combined with the strategy of pursuing these opportunities primarily in emerging markets, where the needs of a new business model was apparent while the potential was underexposed, Bemobi set out on an encouraging journey a few years ago. Instead of replicating what Google and Apple seems to be doing really well, Bemobi utilized the opportunity to bundle a lot of good apps at a much lower cost point making it both competitive and appealing for that specific segment.

Today, Bemobi primarily offers its services through Apps Club. At the same time, as another opportunity along with Apps Club, we realized there are other services that we can monetize together by offering specific apps as a subscription. Through Apps Club, which is Bemobi's primary source of revenue and growth, the company is curating what is considered to be the most relevant and best apps. It is offered as a subscription giving access to a lot of apps. Sometimes Bemobi can offer specific bundles tailored to fit different user groups, including potential bundles for kids, sometimes for gamers, sometimes for general utility. In short, different packages address different needs. In the vast majority of the cases, it is offered through the mobile carrier. However, Bemobi has also entered into partnerships with OEMs, including the very largest producers of mobile phones, who preload the subscription service into all their phones. This results in valuable branding and distribution capabilities making it possible to promote the service in cooperation with the partner. Most of the time, Bemobi's business model does not require the use of a credit card as the mobile carrier's established billing routines are utilized for payment. Most of the time, the subscription is initiated by an offer of a free trial period, meaning that no payment is due upfront. Typically, Bemobi could offer access to a glimpse of the content that the customer would consider to be of great value for a week or two weeks, and after that period of time, it becomes a paid subscription.

At the end of the day, Bemobi has partnerships in two different parts of the value chain. Carriers are offering distribution while content partners or app developers are offering access to apps and games. Bemobi manages the settlement of revenue share, including dozens of revenue flows coming from different carriers as well as millions of consumers. The revenue is divided based on agreed metrics, such as usage, and it is split between the different providers across 50 or 60 countries. Bemobi provides the technology platform, and the apps, connecting users with great content from publishers that makes their best apps available so that Bemobi can bring them to the consumers of mobile operators across the world. The value proposition is clear for all parties and the model is sustainable.


SKYFIRE

COMPRESSION MAKES THE WORLD GO AROUND

FAST IS THE NEW SLOW

Today, typically 60 percent or more of total mobile data consumption is video content, putting pressure on the operator's 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 compressed.

PROVIDES OPERATORS WITH AN INSTANT

60%

BOOST IN BANDWITH CAPACITY ACROSS DEVICES

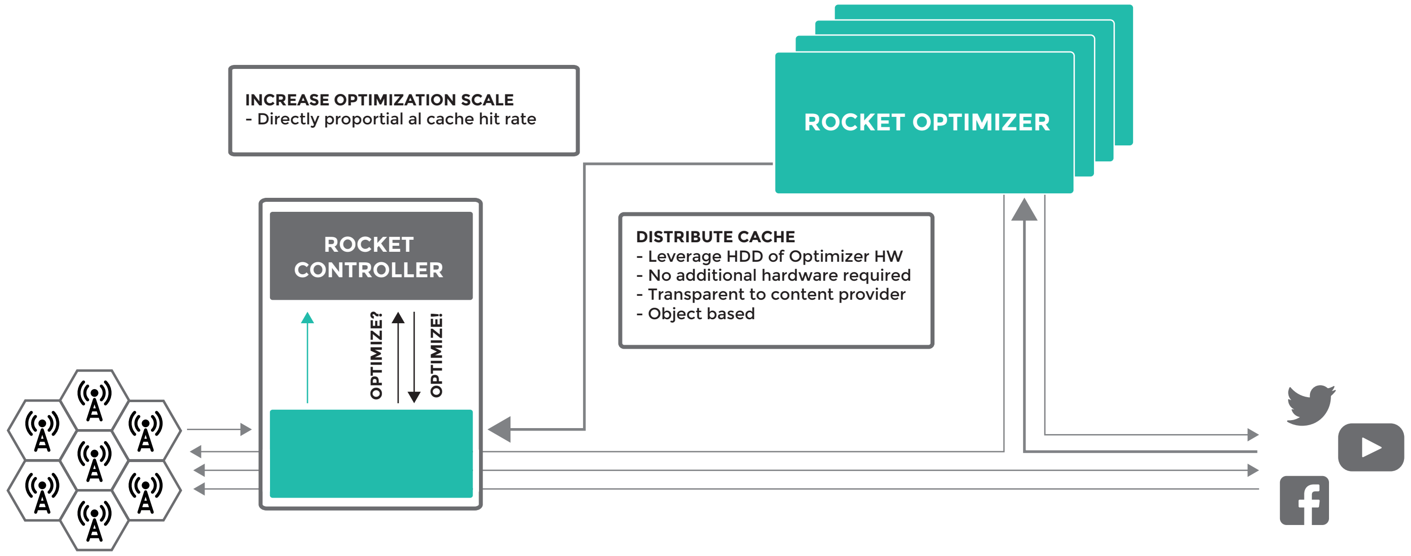
At the same time, mobile operators face increasing downward pressure on average voice revenue per subscriber, and as competition heightens, operators around the world are looking for new sources of revenue, differentiation via data services as well as network performance and quality, and solutions to manage the explosion of mobile video and multi-media data network traffic spurred by the rapid adoption of smartphones and tablets.

Fast as a rocket

During 2017, Skyfire began marketing itself under the RocketColony name – a break from the original Skyfire name just as the company has shifted its focus to new encrypted video optimization technologies. Skyfire remains the legal name of the company.

Rocket Optimizer is Skyfire's flagship product addressing operator needs in regards to managing the explosion of mobile video data traffic. It is designed for operator deployment and it provides operators with an instant 60 percent boost in bandwidth capacity across smartphones, tablets and laptops. Rocket Optimizer allows mobile operators to leverage cloud computing to optimize and compress video and other multimedia traffic, for example on congested 3G and 4G LTE cell towers, enabling operators to boost the capacity of their networks significantly while at the same time offering better network performance and quality to their mobile customers.

In addition to optimization, Rocket Optimizer enables myriad new monetization use cases by allowing operators to set and control a target video quality for different classes of users or for different data packages. For example, an operator might ensure the highest possible video quality for "Gold" users, 480p quality video for "Silver" users and 360p video for "Bronze" users. Alternatively, a new "Free Video Off-Peak" data package could be introduced that limits video to 480p and allows unlimited video consumption in off-peak hours – thereby winning video-hungry customers from competing operators while ensuring the network is protected. These are just a few examples of the many monetization options enabled by the very flexible Rocket Optimizer system.



Rocket Optimizer
The Rocket Optimizer™ NFV (Network Functions Virtualization)-friendly mobile video, audio and data optimization solution, which can detect when specific users are facing poor network connections and then intervene in milliseconds to improve network quality and performance for that user, helps operators manage unpredictable spikes in demand. Rocket Optimizer™ can optimize encrypted (HTTPS, QUIC, or DRM-protected) and unencrypted (HTTP) video traffic while minimizing start times, rebuffering, and stalls on video and audio streams that frustrate mobile users around the world. The Rocket Optimizer™ solution provides operators with an instant 60% boost in bandwidth capacity while enabling new monetization strategies that help the mobile operator's bottom line. Its flexible cloud architecture and intelligent traffic steering dramatically reduce an operator's total cost of ownership, in comparison with the cost of legacy in-line hardware solutions, while enabling the operator to provide best quality of experience (QoE).

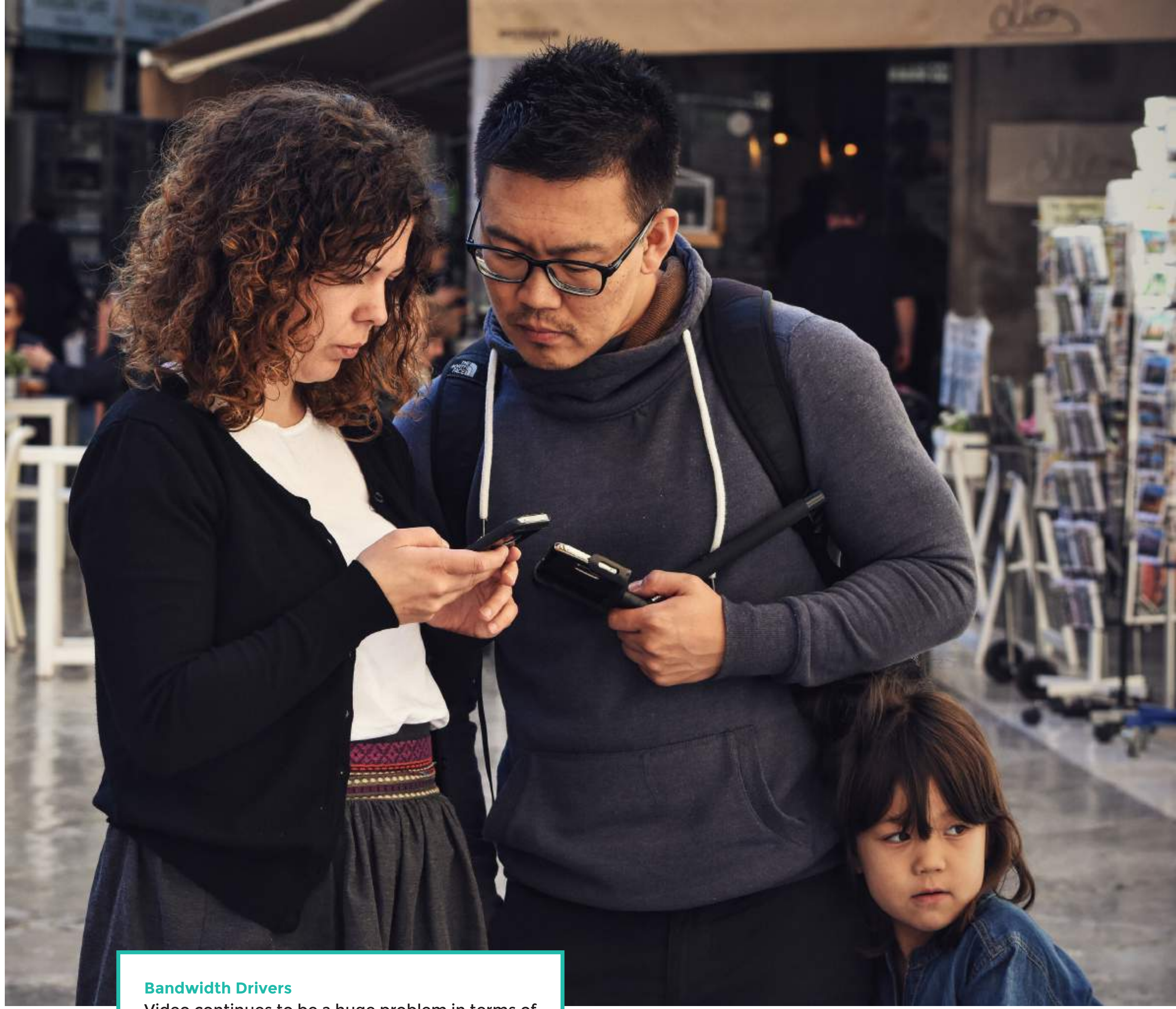
Skyfire has signed distribution partnerships with Huawei and Nokia. In particular, Huawei has become a very important partner, and the joint Skyfire / Huawei is now generally available and is live in customer networks.

Video continues to be a significant problem on mobile operators' networks. As long as video content keeps becoming more and more popular among users, video optimization technology will continue to be a core part of the solution for mobile operators.

Focus on profitability

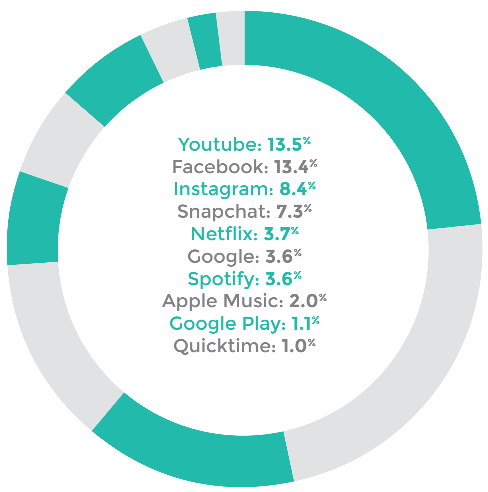
The traditional approach to Rocket optimization technologies has been wanting to optimize - to crunch down the traffic as much as possible - so that it reduces the investment in CapEx. However, the motivation has changed. Now the focus is on improving the quality of experience among users while utilizing the technology to monetize, for example by introducing new packages similar to unlimited packages offered in the US, with an objective of making video optimization technology part of the package.

In 2018, Skyfire continues to focus on growing its pipeline and increasing its market share. As a part of this, Skyfire focuses on making sure that the core business is profitable.



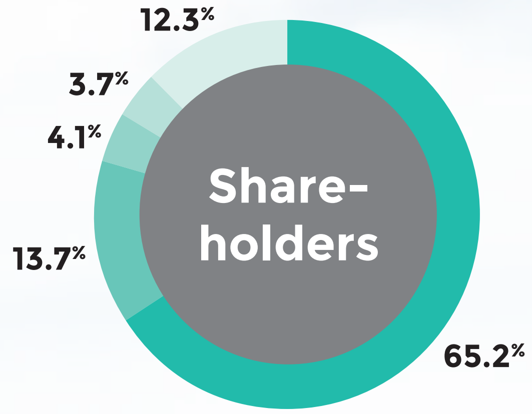
Bandwidth Drivers
Video continues to be a huge problem in terms of capacity on mobile operators' networks. Here is a recent example from Telenor in Norway revealing the primary bandwidth drivers based on which services that are consuming bandwidth in the Telenor network. The first 5 services are all video-heavy services, with YouTube and Facebook at the top. In fact, today worldwide more than 60 percent of traffic is typically driven by video. There are a few driving forces behind this. First of all, cheap and unlimited data plans are offered by mobile operators that make people feel they don't have to conserve data. Earlier, many waited to get on a WiFi network, however, now they use video and play video with less concern for the impact on their pocketbooks. Wherever. Whenever. Secondly, video quality continues to go up. Just a few years ago, a typical mobile video was only 360p, or maybe 480p. Today, many services offer HD, and 4K video will soon become popular on mobile networks. On top of increasing video consumption, the increased demand for high quality video is pushing bandwidth higher.

TELENOR BANDWITH DRIVERS



INVESTOR RELATIONS

INVESTOR RELATIONS POLICY
Communication with shareholders, investors and analysts, both in Norway and abroad, is a high priority for Otello. The company's objective is to ensure that the financial markets have sufficient information about the company in order to be able to make informed decisions about the company's underlying value. Otello arranges regular presentations in Europe and the United States and holds frequent meetings with investors and analysts. Important events affecting the company are reported immediately.



SHAREHOLDERS WITH OVER 1% OWNERSHIP
Folketrygdfondet, Ludvig Lorentzen AS, Sundt AS, Otello Corporation ASA, Arepo AS, Ferd AS, Verdipapirfondet DNB Norge (IV), Deutsche Bank Aktien, Lazard Freres Banque, VPF Nordea Norge Verdi, Geveran Trading Co LTD, Verdipapirfondet DNB Teknologi, Goldman Sachs International, J.P. Morgan Bank Luxembourg, VPF Nordea Kapital, Societe Generale Paris, The Bank of New York Mellon N.V., Storebrand Norge 1, Verdipapirfond, Caeis Bank Luxembourg, J.P. Morgan Chase Bank

2016	Country brakdown shareholders	2017
68.7%	Norway-based accounts	65.2%
8.6%	U.K.-based accounts	13.7%
4.1%	Luxemburg-based accounts	4.1%
3.5%	U.S.-based accounts	3.7%
15.1%	Accounts based elsewhere	12.3%

ADJUSTED EBITDA REPRESENTS EBITDA EXCLUDING STOCK-BASED COMPENSATION EXPENSES, RESTRUCTURING AND IMPAIRMENT COSTS.

Company	Analyst	Telephone
ABG Sundal Collier ASA	Aksel Engebakken	+47 22 01 61 11
Arctic Securities ASA	Oscar Semb Fredricsson Henriette Trondsen	+47 21 01 32 89 +47 21 01 32 84
Carnegie ASA	Håvard Nilsson	+47 22 00 93 78
Danske Securities ASA	Martin Stenshall	+47 8540 7073
DnB NOR Markets	Christoffer Wang Bjørnsen	+47 24 16 91 43
Norne	Karl-Johan Molnes	+47 97 47 60 64
Pareto	Fredrik Steinslien	+47 24 13 21 54
Beringer Finance AS	Nicoleta Rosu	+47 48 68 31 52

KPI [2013-2017]	2013	2014	2015	2016	2017
Revenue ($ million)	300.1	480.8	454.2*	532.2*	419.0**
Adjusted EBITDA* ($ million)	86.6	118.0	55.9*	49.4*	13.5**
Operating cash flow ($ million)	49.5	58.6	56.0*	41.4*	6.7**

* EXCLUDING THE CONSUMER AND TV BUSINESS
** EXCLUDING THE CONSUMER, TV AND SURFEASY BUSINESSES

EXECUTIVE TEAM

Lars Boilesen, Chief Executive Officer
Lars Boilesen is the Chief Executive Officer at Otello Corporation ASA, a position he has held since 2010. Lars has extensive experience in the software and tech industry and has held executive positions in various corporations prior to his joining Otello. He was Executive Vice President of Sales & Distribution at Opera Software ASA from 2000 to 2005, and served on the Board of Directors of Opera Software ASA from 2007 to 2009.

From 2005-2008 he was Chief Executive Officer for the Nordic and Baltic Region at Alcatel-Lucent. Lars started his career in the LEGO Group as Sales and Marketing Manager for Eastern Europe. After that, he headed the Northern Europe and Asia Pacific markets for Tandberg Data. He has been on the Board of Directors of Aspiro AB since May 2009 and currently serves as Chairman of the Board of Directors at Cobuilder AS.

Lars holds a Bachelor's Degree in Business Economics from Aarhus Business School, and postgraduate diploma from Kolding Business School.

Petter Lade, Chief Financial Officer
Petter was appointed Chief Financial Officer in January 2017. He is responsible for the financial management of the Group and oversees financial planning and analysis, treasury, M&A and investor relations. Petter comes from the position as Director, IR & Corporate Development and has held several key roles within controlling, M&A and IR since joining Otello in 2006.

Before joining Otello, Petter was Finance & Commercial Consultant at Dell EMEA and responsible for the financial and commercial element for pan-EMEA or Global Dell Managed Services (DMS) deals. Prior to that, Petter worked as Business Controller/Bid Analyst for Dell Norway. He began his career with Verdens Gang (Schibsted) as a controller.

Petter obtained a Siviløkonom degree (four year program in economics and business administration consisting of three years at bachelor level and one year at master level) from BI Norwegian Business School.

Roar Olbergsveen, Chief Accounting Officer
Roar is the Chief Accounting Officer at Otello Corporation ASA, a position he has held since March 2017. Roar is responsible for the financial reporting, accounting and compliance functions across the Group. Roar joined Otello in April 2008, when he took on a role as Head of Internal Audit, working with corporate governance, mergers & acquisitions, tax compliance together with being responsible for external financial reporting, transfer pricing policies, and reporting to the Audit Committee.

Prior to joining Otello, Roar was a State Authorized Public Accountant (CPA) at KPMG. Roar spent almost 8 years at KPMG working with software, technology and other large clients.

Roar obtained a Master in Accounting and Auditing from NHH, Norwegian School of Economics (CPA).

AUDUN WICKSTRAND IVERSEN (CHAIRMAN)

BIRGIT MIDTBUST
(MEMBER)

SC MOATTI
(MEMBER)

ANDRÉ CHRISTENSEN
(MEMBER)

FRODE JACOBSEN
(MEMBER)

BOARD OF DIRECTORS

Audun Wickstrand Iversen, Chairman
Audun Wickstrand Iversen is a private investor. Over the last ten years, he has focused primarily on the telecom, IT and alternative energy industries. Previously, Iversen worked as a financial analyst at DnB Markets and as a portfolio manager at DnB Asset Management, with responsibility for global telecoms and alternative energy. He holds a degree in business administration from the Norwegian School of Management (BI) as well as degrees from Norwegian School of Economics and Business Administration (NHH) and the University of Oslo.

Birgit Midtbust, Member
Birgit is a Norwegian lawyer. She currently works for one of Norway's largest corporate law firms, Advokatfirmaet Schjødt AS, where she has been a part of their M&A and Capital Markets team since 2007. She specializes in acquisitions and sales of companies, mergers, investment structures and ownership structures and has been involved in a substantial number of transactions both in Norway and abroad. She holds a Master in Law from the University of Bergen, Norway.

SC Moatti, Member
SC Moatti is the managing partner of Mighty Capital, a Silicon Valley venture capital firm, and Products That Count, one of the largest communities of early adopters in the world. Previously, she built products that billions of people use at Facebook, Nokia and Electronic Arts. Andrew Chen, one of Uber's top executives, called SC "a genius at making mobile products people love." For more information, visit Mighty.Capital.

André Christensen, Member
André Christensen has extensive strategic and operational experience from the Media, Internet, and High Tech industries across Europe, North America and Asia from the last 25 years. He is currently the Chief Operating Officer with the OTT/IPTV service provider Quickplay Media based in San Diego/Toronto where he was a co-owner until acquired by AT&T Entertainment Group in the 2016. Prior to this he was the SVP Business Operations and Strategy at Yahoo globally after 12 years with McKinsey & Company as a partner establishing and leading the Business Technology practice in Canada as well as the Global Operating Model service line worldwide. Mr. Christensen currently holds a board position with Broadnet. He has also been a successful entrepreneur and has a MSc/DiplKfm degree from University of Mannheim.

Frode Jacobsen, Member
Frode Jacobsen is the CFO of Opera Software AS, a former Otello group company. During the four years prior to the sale of Opera Software AS, Frode held various roles in the Otello group, ultimately serving as CFO. In the period 2008-2013, he was a management consultant with McKinsey & Company, based in Oslo and San Francisco. Through his professional roles, Frode has developed substantial expertise in strategic planning and processes, including end-to-end acquisition and divestment initiatives, and a thorough understanding of Otello's businesses. Frode holds a BSc of Economics and Business Administration from NHH in Norway, and a MSc of Management from HEC Paris.

REPORT FROM THE
BOARD OF DIRECTORS

2017 was a year of transition and transformation for Otello. After the sale of the Consumer business in 2016, the transformation was completed by the name change from Opera to Otello in December 2017. Otello continued its path to drive shareholder value and sold SurfEasy in 2017 for more than twice the purchase price paid in 2014. Skyfire completed a turnaround and returned to profitability in the second half of 2017 after significant cost cuts were made. Bemobi continued its global expansion and 2017 was yet another record year for revenue and profit. For AdColony. 2017 was a turnaround year with a change of management, cost optimization and a return to focusing on core products and markets. The hard work carried out in 2017 in AdColony sets us up for a return to profitability in 2018.

The focus on cash flow and divestures have enabled Otello to buy back close to 5% of its outstanding shares in 2017, while at the same time repaying all interest-bearing debt. Otello now finds itself in a very strong financial position which enables it to return more cash to its shareholders as well as providing solid backing to the three remaining business units.

FINANCIAL SUMMARY

The following profit and loss information relates to Otello's continuing business activities. Otello's operating revenues fell by 21% to $419.0 million in 2017 (2016: $532.2 million). Operating expenses, excluding one-time costs, decreased by 16% to $450.9 million (2016: $538.1 million), with publisher and revenue share cost decreasing in line with the fall in revenues. Otello delivered EBIT (excluding restructuring and impairment costs) of $-31.8 million (2016: -$5.9), due primarily to weaker performance from AdColony. Profit before income taxes (including restructuring and impairment costs) ended at $-62.9 million (2016: -$65.2 million). Income taxes were $4.0 million (2016: $-3.5 million), and the profit for the period was $-66.9 million (2016: $-61.7 million). The loss in 2017 can to a large extent be explained by the decline in revenue from AdColony. This was partly offset by increased profit in Bemobi. Basic and diluted earnings per share from continuing operations were both $-0.46 (2016: -0.42, -0.41 respectively).

The SurfEasy business, divested during 2017, and the Consumer and TV businesses sold in 2016, are presented separately as discontinued operations in the consolidated statement of comprehensive income and comparative periods are restated. See Discontinued Operations for further information regarding these transactions.

Net cash flow from operating activities in 2017 totaled $7.9 million, of which $1.2 was related to discontinuing operations (2016: $3.1 million, of which -$38.3 was related to discontinued operations). Otello's cash balance in 2017 versus 2016 was impacted positively primarily by proceeds from the sale of Surfeasy of $29.8. The cash balance was reduced by pre-tax losses, by $100.0 million in repayment of the credit facility, $27.5 million (2016: 6.7 million) in share repurchases, $28.4 million (2016: $150.8 million) related to acquisitions, and $10.3 million (2016: $6.3 million) related to capital expenditures. As of December 31, 2017, the Group had a cash balance of $86.0 million (2016: $219.5 million) with no interest-bearing debt (2016: $100 million).

BUSINESS OVERVIEW

Otello Corporation ASA, the parent company of the Group, is domiciled in Norway. The Company's principal offices are located at Gjerdrums vei 19, Oslo, Norway. The company is a public limited company that is listed on the Oslo Stock Exchange under the ticker OTELLO.

Otello'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.

AdColony is a global business which operates primarily out of the United States, in addition to larger offices in Turkey, the UK, and Singapore. Bemobi is headquartered Brazil, with the international part of the business operating out of Norway. The Skyfire business is based in the United States.

Following the sale of the Group's Consumer business and the TV business in 2016, changes in the Group's internal reporting processes resulted in the three remaining business units being reported separately to Group Executive Management. Otello therefore reports three segments: AdColony (Mobile Advertising), Bemobi (Apps & Games), and Skyfire (Performance & Privacy). In addition, Corporate costs are presented separately.

The following are Otello's segments as at December 31, 2017:

AdColony (Mobile Advertising)

This segment consists of mobile advertising and marketing platforms, providing end-to-end platforms for brands, agencies, publishers and application developers to deliver advertising to consumers on mobile devices around the world. 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 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 of mobile advertisements.

Bemobi (Apps & Games)

This segment consists primarily of Bemobi's app subscription services, including Apps Club, a subscription service mainly offered in partnership with mobile operators in emerging countries; standalone subscription apps; and mobile couponing. 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)

This segment consists Skyfire's offering of data compression technology with Rocket Optimizer™. Revenue is primarily comprised of license fees.

Corporate Costs

Corporate costs comprise primarily 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) certain costs related to business combinations and restructuring processes.

In addition, Otello has retained preferred shares equivalent to 27% of the common equity of the new parent of Vewd Software AS (formerly Opera TV AS).

Revenue

Otello's operating revenues fell by 21% to $419.0 million in 2017 (2016: $532.2 million). In 2017, Bemobi experienced strong growth, whilst AdColony and Skyfire experienced significant declines in revenue. AdColony was the largest source of revenue in 2017 (2016:$364.9 million and 87% of total revenue), followed by Bemobi ($52.9 million in revenue and 13% of total revenue) and Skyfire ($2.6 million in revenue and less than 1% of total revenue). Eliminations, primarily against discontinuing operations, accounted for $-1.4 million.

AdColony revenues fell by 25% compared to 2016. The decline in revenue was primarily due to delayed product launches in the Performance business, to Brand revenue being impacted by reorganizations in non-core markets and products, and to the continuing shift to programmatic.

Bemobi revenues grew by 10% compared to 2016, driven by the strong growth of International subscribers and revenues, as well as continued growth in Latin American subscribers.

Skyfire revenues were down 44% compared to 2016.

MARKET AND PRODUCT OVERVIEW

AdColony (Mobile Advertising)

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.

Product update

During 2017, the Product and Technical teams worked on projects key to success in 2018 and beyond.

SDK

Android v3.3 SDK was released during the last part of 2017, focusing on stability improvements and memory optimizations to ensure publisher success, and features like IAS viewability measurement, which are meant to enable additional managed-service and programmatic Brand ad spend, which fuels higher publisher eCPMs. As at the end of 2017 Android SDK v3.x penetration was at 64%.

Core Improvements

Improvements continued during 2017 on AdColony's Core™ yield optimization engine, with a robust testability framework in place at the end of the year. Use of the new framework was helpful in developing a machine learning model – to be fully deployed in early 2018 - that has improved key business KPIs and helped to combat downward pressure on install rate and lower brand spend.

Improving Return on Ad Spend

There has been continued focus on building out and validating the Post-Install Event pipeline, ROAS dashboard and pricing tools. These efforts will allow advertisers to more easily produce positive ROAS, which should in turn increase eCPI/eCPM and ad spend. The Performance business is seeing increased CPI, and increased advertiser buying and optimization capabilities to maximize spend. Similar to LTV User Score, PIE data maximizes our ability to drive ROAS by aligning campaign set-up with PIE performance.

China

The legal entity and infrastructure in China was fully set up during 2017, opening the way for AdColony to scale the China business in 2018.

Playables and Vertical Video

Playables and Vertical Video are driving significantly higher engagement rates and pricing, which are positively impacting the Performance business. In 2017, the focus has been on continuing to build and scale these new ad formats across a wider range of advertisers.

Hard Floor Controls

Increased waterfall position delivers better impressions, which will increase revenue in the Performance business. Roll out waterfall configuration advancements made during 2017 are anticipated to increase waterfall priority and deepen publisher relationships moving forward into 2018.

Bemobi (Apps and Games)

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, 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 is able to offer its service to the consumers. Bemobi ended 2017 with 54 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 billion consumers.

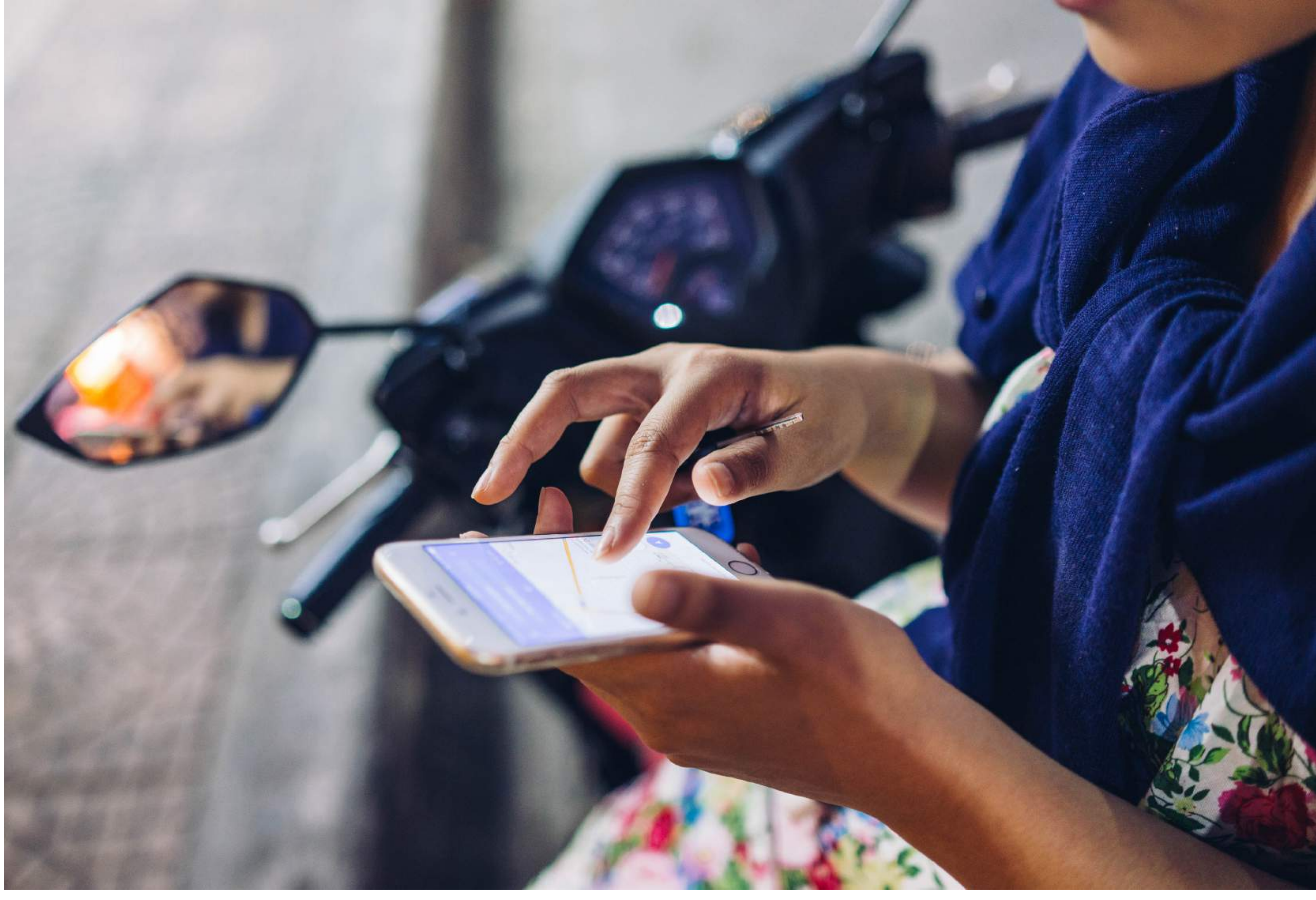
Product update

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 in the country during the last part of the year.

During the year, 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. Bemobi also added Disney as a new high-profile key game publisher to all its Apps Club offering in LATAM.

Further, Bemobi expanded its partnership with Truecaller, launching a joint subscription service with Oi in Brazil as well as partnering with BT-Fit, a leading LATAM fitness app for a fitness subscription services to be distributed by all carriers in the country.

Airtel and Aircel India Apps Club was launched during 2017, giving Apps Club close to a 100% coverage in the Indian market. There were also new Apps Club launches in Ukraine with Kyivstar, in Indonesia with Axis, in Nepal with Ncell and in Pakistan with Telenor.



User growth continued in 2017 due to optimizations and a more balanced channel mix as NDNC portals and the capabilities to acquire subscribers through other digital channels were grown further.

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 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 is was deployed to joint customers.

CORPORATE OVERVIEW

Organization

At the close of 2017, the Company had 604 full-time employees and equivalents, compared to 1015 full-time employees and equivalents at the end of 2016.

Board of Directors composition

At the Annual General Meeting on June 2, 2017, Audun Wickstrand Iversen was re-elected as the chairman of the Board of Directors, and André Christensen, Sophie-Charlotte Moatti and Frode Jacobsen were re-elected to the Board of Directors. Birgit Midtbust was elected to the Board of Directors.

Corporate governance

The Company's guidelines for corporate governance are in accordance with the Accounting Act §3-3b and section 3-3c and the Norwegian Code of Practice for Corporate Governance, dated October 30, 2014, as required by all listed companies on the Oslo Stock Exchange. Please see the section entitled "Principles of corporate governance" in the Annual Report for more information.

Shareholders and equity-related issues

As of December 31, 2017, Otello Software ASA had 149,477,429 outstanding shares. Total stock-based compensation expenses for employees in 2017 were $7.8 million (parent company: 1.3), compared to $9.4 million (parent company: 0.9) in 2016. As of December 31, 2017, the Group's equity was $468.0 million (parent company: $751.1 million).

Allocation of the annual profit

The total comprehensive income for the period for Otello Software ASA was $24.6 million in 2017. The Board of Directors recommends that no dividend be paid for the 2017 financial year. The Board proposes that of the 2017 total comprehensive profit, $-13.2 million is covered by other equity, and $37.9 million is transferred to the translation reserve.

Going concern

In accordance with section 3-3a of the Norwegian Accounting Act, the Board confirms that the prerequisites for the going concern assumption exist and that the financial statements have been prepared based on the going concern principle.

Events after reporting period

For further information on subsequent events, see note 19 of the "Consolidated financial statements".

For further information, please see the announcements published on the Oslo Stock Exchange website (www.oslobors.no).

Stock Buyback Program

During 2017, the Group purchased 7,142,206 (2016: 1,383,178) treasury shares for $27.5 million (2016: $6.7 million) and sold 443,205 (2016: 0) treasury shares.

Shareholders

The Company had 3,943 (2016: 5,157) shareholders at year's end. At that time, 65.2% (2016: 68.7%) of the shares were held in Norway-based accounts, 13.7% (2016: 8.6%) in U.K.-based accounts, 4,1% (2016: 4.1%) in Luxembourg-based accounts, 3.7% (2016: 3.5%) in U.S.-based accounts, and 12.3% (2016: 15.1%) in accounts based elsewhere.

A key concept in Otello's approach to corporate governance is the equal treatment of shareholders. Otello has one class of shares and all shares are freely transferable (with possible exceptions due to foreign law restrictions on sale and offering of securities). Otello is not aware of any agreements between shareholders that restrict the ability to transfer shares or cast votes. All shares in the Company carry equal voting rights. Any decision to waive the preemption rights of existing shareholders to subscribe for shares in the event of an increase in share capital will be explained. Where the Board of Directors resolves to carry out an increase in the share capital and waive the preemption rights of the existing shareholders on the basis of a mandate granted to the Board, an explanation will be publicly disclosed in a stock exchange announcement issued in connection with the increase of the capital. Please see the section entitled "Principles of corporate governance" in the Annual Report for more information.

CORPORATE SOCIAL RESPONSIBILITY

Creating a responsible and sustainable business is an integral part of everything we do at Otello. We are committed to the highest standard of social responsibility and believe that transparency and openness are key elements in obtaining a sustainable and responsible operation.

In this report we describe Otello's effort and results related to corporate social responsibility (CSR). Our CSR work is focused around the following areas: Our employees, anti-corruption and the environment.

Otello has implemented the following guidelines and reporting schemes to ensure a high ethical standard throughout the organization.

<u>Ethical Code of Conduct</u>

The Ethical Code of Conduct is created to help employees, clients and business partners understand Otello's values and standards. Otello's reputation is created by the conduct of each individual staff member. Therefore, all staff members are obliged to familiarize themselves with the Ethical Code of Conduct when joining the company.

The Ethical Code of Conduct focuses on the following key areas: the rights and obligations of our employees; a healthy and safe working environment; anti-corruption; and the external environment.

A violation of the Ethical Code of Conduct may result in disciplinary action, up to and including termination of employment. Several of the guidelines concern actions that are also punishable offenses. The Human Resources department is responsible for following up any possible breaches.

Our commitment to the UN Global Compact

Otello is a proud signatory to the UN Global Compact (UNGC). UNGC is a global reporting initiative where businesses around the world report on progress and challenges in their work with human and labor rights, the environment and anti-corruption.

In our annual report to the initiative, the Communication on Progress, we describe our commitment, implementation and outcomes with regard to the UNGC principles. We continually strive to make the principles a part of our strategy, culture and day-to-day operations. Otello is in the process of preparing its Communication on Progress report for this year.

Our employees

Otello's success and innovation springs from the minds and teamwork of its employees. Our employees are our most valuable resource, and we are committed to interacting with our employees in the same way as we strive to interact with our customers, following the highest ethical standards and respect for individuality.

Equal opportunities and non-discrimination

Otello strongly condemns discrimination. We believe that people should be treated with respect and insist on fair, non-discriminative treatment, regardless of irrelevant factors such as nationality, political views, religion, sexual orientation and gender.

We promote cultural diversity and we are proud to have had more than 38 nationalities represented within the company. We pride ourselves in being an international organization, where innovation and teamwork take place across borders and time zones.

We continually work to improve the gender balance in the company. At the end of 2017, 40% of our staff members were women. In addition, the Board of Directors of Otello has two female members.

The principles of equal opportunities and non-discrimination are present throughout the organization and in all company activities. When recruiting, we use assessment methods such as programming tests and test cases to give equal opportunities to all qualified applicants. Similar approaches are exercised when promoting, offering training opportunities, etc.

<u>Labor rights at Otello</u>

Otello respects and observes the fundamental labor rights set out in the international conventions, such as the conventions of the International Labor Organization and the United Nations.

<u>Health and safety</u>

At Otello, we strive to offer our staff members a safe, healthy and inspiring work place. We have a highly international workforce, where we combine the responsiveness of a flat structure with an extreme focus on results and innovation. All employees are expected to comply with safety and health regulations that apply to our business activities.

Discrimination on the bases of sickness or disability shall not occur at Otello. We work hard to meet all our employees' needs. We offer shorter working hours and other services to accommodate our employees with disabilities our other particular needs.

Otello has a low rate of absence due to sick leave, with an average of 0.3% in the parent company in 2017, and an estimated rate of under 1% for the Group as a whole.

In 2017, Otello had a global turnover of 56%, where 23% were voluntary and 33% were involuntary terminations. These numbers are for continued and discontinued operations.

There have been no reports of work-related accidents or injuries in 2017.

Anti-corruption

Otello Software abstains from and works

actively to combat corruption and bribery. Corruption distorts economic decision-making, deters investment, undermines competitiveness and, ultimately, weakens economic growth.

There is no single, comprehensive, universally accepted definition of corruption. Therefore, each Otello employee must adhere to the existing laws and regulations in their country of operation. As a minimum, Otello's internal regulations apply to all employees. Controls are made to ensure that the rules are followed. Otello has put in place internal guidelines to help employees in their day-to-day operations. The following is an extract of these guidelines.

Bribery

No person acting on behalf of Otello shall attempt to influence someone in the conduct of their post, office or commission by offering an improper advantage. Nor shall improper advantage be offered to anyone for the purpose of influencing third parties in the conduct of their post, office, or commission. This includes all forms of facilitation payments.

Correspondingly, no person acting on behalf of Otello shall request, accept or receive improper advantage in connection with his/her position or assignment or for the purpose of influencing a third party. Improper advantage can take different forms, including but not limited to money, objects, credits, discounts, travel, accommodation and other services.

Insider trading

Otello employees are prohibited from trading in Otello securities based on information that is material, nonpublic information; that is, the public does not yet have access to this information, and this information may be deemed interesting for an investor to use when deciding whether to buy or sell securities. This rule also applies to other companies, where Otello employees may have access to such nonpublic information. Please note that even a tip to family and friends is considered illegal, if this should be used as a basis for buying or selling securities.

Gifts

It is a normal part of business life to exchange business courtesies, such as meals, transportation, recreation, facilities or small gifts. Such an exchange of business courtesies must always follow local laws and regulations and not put any Otello employee in the position of a sense of obligation to return the favor, compromise professional judgment or create the appearance of compromise or corruption. Otello employees should always check with their manager or the HR department, if in doubt, and consider whether the exchange of business courtesy would be acceptable if it should become publicly known.

No person acting on behalf of Otello is allowed to accept any amount of cash or cash equivalents (such as gift certificates or market securities and similar), regardless of sum. Correspondingly, cash or cash equivalents may never be offered by Otello employees as a business courtesy, regardless of sum.

Whistleblowing

Otello encourages freedom of speech and blowing the whistle on malpractice, fraud, illegality, or breaches of rules, regulations, and procedures or raising health and safety issues. Any Otello staff member making a whistleblowing report is protected from any repercussions, such as dismissal and other forms of reprisal. To secure an effective procedure, staff members may blow the whistle either in person or anonymously to the Work Environment committee.

To improve communication and ensure that issues do not escalate to the point where they become a whistleblowing case, Otello focuses on the following practices:

- Communicate the Company's norms, values, and rules and regulations regardin ethical conduct.
- Create an open atmosphere by making sure that staff members have the opportunity and possibility to meet and discuss issues in formal and informal settings.
- Discuss and put questions regarding freedom of speech and whistleblowing on the agenda in internal communications.
- Ensure that there is a Work Environment committee in place that meets regularly to discuss issues.

The environment

Otello understands the importance of supporting the environment and seeks to prevent any negative environmental impact our activities might have. Otello has incorporated its environmental policy as a part of the Ethical Code of Conduct.

The Group sponsors various charities both locally and around the world to protect the environment and prevent further damages. In 2017, employees participated in a coastal cleanup that occurs every September throughout California coastlands. The company also sponsors a non-profit called The Thirst Project, which builds water wells around the globe for villages that do not have access to clean water.

Employees can elect pre-tax dollars into flexible spending accounts dedicated to transit costs to encourage public transportation and the reduction of vehicles on the road.

Otello shall:

- Act according to environmental laws to limit the environmental burden on earth, air, water and ecosystem.
- Commit to using environmentally safe products in the workplace.
- Educate staff about company environmental regulations.
- Evaluate the consumption of energy and other resources to determine means of control.
- Ensure the development of environmentally protective procedures.

For several years, Otello has made data-center efficiency, low-power CPUs in our servers and procuring power from renewable energy sources key components of our hosting-expansion strategy. When purchasing servers and other larger infrastructure, we focus on reducing waste throughout the lifecycle of the product. New purchases are assembled at the factory and delivered with minimal packaging. We focus on using the equipment as long as it is efficient, often years longer than the original expected life. When used equipment is ready for retirement, Otello has entered into collaboration with Greentech, part of the Arrow Group, who buys and refurbishes, before they resell or recycle the equipment.

Otello works actively to reduce the production of paper waste form our operations. Further, Otello promotes the reduction of the use of disposable cups and glasses at our offices, as all employees receive a personal cup and water bottle upon joining the company. We encourage keeping the lights out after hours and in unused areas. We encourage the use of video conferencing, rather than extensive traveling.

RISK FACTORS

Each of the following risk factors can have a significant negative impact on Otello's business, financial results, operations, cash flow and the trading price of our common stock:

Business risk

Our international operations expose us to additional risks that could harm our business, operating results and financial condition.

In certain international markets, we have limited operating experience and may not benefit from any first-to-market advantages or otherwise succeed. In addition to risks described elsewhere in this section, our international operations expose us to other risks, including the following:

Changes in local political, economic, regulatory, social and labor conditions, which may adversely harm our operations. Restrictions on foreign ownership and investments, as well as stringent foreign-exchange controls that might prevent us from repatriating cash earned in certain foreign countries. Import and export requirements, tariffs, trade disputes and barriers, and customs classifications that may prevent us from offering products or providing services to a particular market and may increase our operating costs. Longer payment cycles in certain countries, and higher levels of payment fraud. Different employee/employer relationships, existence of workers' councils and labor unions, and other challenges caused by distance, language, and cultural differences, making it harder to do business in certain jurisdictions.

Financial risk

Both revenue and operating expenses are exposed to foreign exchange rate fluctuations. However, the vast majority of revenues and operating expenses are in USD, hence Otello is exposed to relatively little currency risk.

In 2017, approximately 80% of revenues were in USD, 10% in BRL, 3% in TRY, and 7% in other

currencies; for expenses, approximately 79% were in USD, 6% in BRL, 3% in TRY, 3% in GBP, 3% in EUR, and 7% in other currencies. Please note that some revenue numbers are impacted by changes in local currencies which are the basis for subsequent invoicing of customers in USD or EUR.

Credit risk

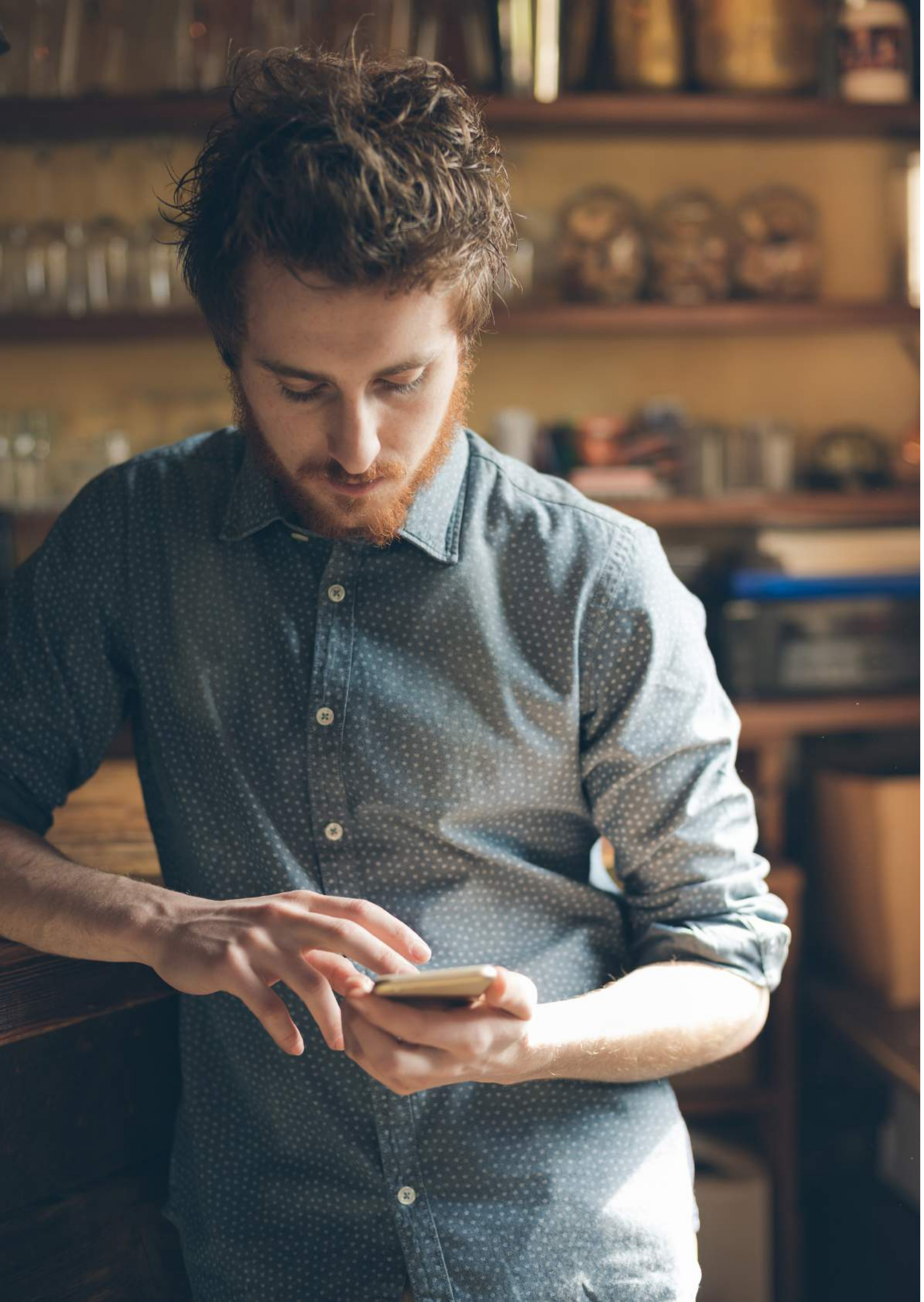
Otello is exposed to customer-related credit risk, which is primarily influenced by the financial strength and characteristics of each customer. There is always a risk of loss on accounts receivable from our customers and reduced sales to our customers if they face liquidity challenges. Credit risk is assessed for each specific customer. No single customer accounted for more then 10% of the Group's revenue during the financial year. Further, the Group conducts much of its business with large global companies and has not experienced significant credit-related losses during this or previous financial years.

Liquidity risk

In November 2016, Otello signed an agreement with DNB Bank ASA for a secured credit facility of $150 million (of which $100 million is a term loan and $50 million is a Revolving Credit Facility). During the latter part of 2017, Otello paid down the outstanding term loan of $100 million. As at December 31, 2017, the term loan is repaid and the revolving facility is undrawn.

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 December 31, 2017.

As of December 31, 2017, Otello had no interest-bearing debt, and the cash balance was $86.0 million (parent company: $29.2 million). Otello's equity ratio was 74% (2016: 64%).



Investments are only made in funds operated by institutions rated by S&P or Moody's, with a minimum rating of BBB or Baa2, respectively.

Although Otello does invest our money conservatively, all our investments are subject to risk. For example, Otello's cash and other investments placed in Norwegian financial institutions are not guaranteed by the government above NOK 2 million per institution. If the financial institution were to go bankrupt, a portion of Otello's cash or investment could be lost.

Tax risk

From time to time, Otello faces tax audits and investigations by both domestic and foreign tax authorities and the outcome of any audit could have a negative impact on our operating results and financial condition. Furthermore, the tax treatment of many transactions relies on the judgment of the Company and its advisors, since the tax laws and regulations are not always clear. Based on the uncertainty that exists, the ultimate tax outcome may differ from the amounts recorded in our financial statements and if Otello were required to re-file our taxes based on an adverse tax judgment, it could materially affect our financial results during the relevant period(s).

Competition

Otello's competitors include some of the largest technology, advertising, internet and telecommunication companies in the world, with significantly larger financial resources and headcount and broader distribution channels than Otello has. These large companies have a greater financial capacity to make strategic acquisitions, invest in new technology and research and development, market their products, and compete for customers. Furthermore, due to the dynamic nature of the market, there is always a risk that our large competitors, and even smaller startup competitors, could take a large share of the markets in which we are operating within a very short period of time, by developing more attractive products and taking customers away from our own products and services.

R&D / Product development

Otello's revenue is dependent on expanding our user base and customer base by developing and marketing products that are more attractive than our competitors' products. If the attractiveness of our products does not continuously improve and evolve to keep pace with the industry, we will have challenges retaining our current user base and gaining new customers. Our competitors are constantly improving their products and associated services. In order to stay competitive, Otello has to invest significant resources in research and development. Investing significantly in R&D is, however, no guarantee that consumers and customers will, in fact, find our products to be attractive enough to begin or continue using them, as it is impossible to accurately predict the behavior of our consumer and business customers.

Customer/Partner risk

There is always a risk that existing customers will terminate or fail to renew their contracts with us if, for example, Otello's technology does not remain competitive enough to provide value to our customers or our customers' products, which incorporate Otello's technology, or does not generate revenue and users as the customer expected. There is also a risk that consumers will stop using Otello's technology and begin using a competitor's technology and that our brand and performance advertising customers work with our competitors instead of us for advertising campaigns. The negative impact of a loss of customers and/or end users on Otello's revenues and business could be significant. Loss of large customers or a change in the commercial terms of that deal would negatively harm our revenues and business. Similarly, not being able to attract new customers, partners and consumers to our products would have a negative impact on revenues and business.

Data risk

Many of our products and services are dependent on the continuous operation of data centers and computer hosting and telecommunications equipment. If Otello's internal IT systems fail or are damaged, or if a third party gains unauthorized access to such systems and data is lost or compromised, it could have a material impact on Otello's operations. Downtime can, for example, hurt our reputation with our customers, as well as increase the risk of damage claims and monetary penalties from our customers.

If our data centers malfunction or become damaged, service can be interrupted for long periods of time. Damage can result from any number of factors, including natural disasters, such as earthquakes, floods, lightning strikes, and fires, terrorist attacks, power loss or failure, telecommunication equipment failures, severed or damaged fiber optic cables, computer viruses, security breaches, sabotage, vandalism, negligence of our suppliers, or deliberate attempts to harm our equipment and/or systems. Furthermore, actions or inactions of third-party hosting centers or telecommunications providers, including financial difficulties, can result in service disruption, which would have negative impact on our products and services.

If our centers or systems are subject to a security breach, customers' confidential or personal information could be obtained and used by third parties, which could have a negative impact on our brand and the market perception that we are a reliable company, as well as subjecting us to significant regulatory fines or claims or damages from our customers.

For certain business models, we depend on internal systems to collect and produce accurate statistics regarding the use of our products and services, especially for products that rely on an active user royalty model. Failures or malfunctioning of these systems can have a significant impact on our financial results. Failure to adequately back up our internal systems can also have a material impact on the running of our business.

Growth or change in headcount

Our business has always experienced growth and dynamic change, which may require an increase in headcount and/or the need to restructure the work force's competence, leading to downsizing and the rehiring of people with different skill sets. If we fail to manage this growth and change effectively, the quality of our products, services and technology could be negatively affected, and our business and operating results could be impacted. Our presence and expansion in many international markets amplifies these risks due to multiple legal and regulatory systems, languages, cultures and customs. Failing to improve our operational, financial, management, reporting and compliance procedures continuously could negatively impact our growth and financial position.

Senior management and key employees

Executing on our strategic objectives depends on our ability to attract and retain key executives and members of senior management, as well as skilled personnel, including software engineers and developers. There is strong competition for employees in our business, and our competitors often try to lure away our personnel. If our competitors are able to offer more competitive compensation arrangements and/or more attractive workplaces, our ability to attract and retain key employees will be hampered. Losing members of the team can negatively affect our ability to execute on our strategic objectives and compete effectively.

Regulatory risk

Otello operates on a global scale and is therefore subject to regulatory regimes across the globe. Not only is it a challenge for a company the size of Otello to remain current on all the regulatory regimes that may apply to Otello at any one time, but also some regulators have a particular interest in the markets within which Otello is operating. As a result, Otello may become subject to increased regulatory scrutiny in the future. If lawmakers and regulators make new laws or interpret current laws in different ways or subject Otello to regulatory scrutiny, Otello may be required to, for example, invest significant amounts of money to participate in or defend ourselves in regulatory proceedings in multiple jurisdictions and to adapt our products and services to conform to the regulatory regimes in multiple jurisdictions. Such product adaptations may be very costly and might ultimately result in Otello's products and services becoming less attractive to our customers and end users and/or in Otello being forced to maintain different software builds for different countries.

Lawsuits, government investigations and other claims

Otello has many customers, partners and end users around the world, and, as a result, we can be exposed to lawsuits, government investigations and other claims or proceedings on a global basis. Such lawsuits, investigations and proceedings could be related to, for example, intellectual property (issues including trademark and patent suits), labor law issues, commercial lawsuits, data protection and privacy matters, consumer law, marketing law, tax issues and so forth.

All such proceedings can have a significant impact on Otello, whether or not we are ultimately successful, due to the legal cost and the internal resources we would have to employ to defend ourselves. In the event of an adverse result against Otello in such a proceeding, Otello could be required to pay significant monetary damages or fines and/or re-design our products or services, causing a material impact on Otello's business, financial results, operations and cash flow.

Intellectual property lawsuits are very common in the market within which Otello operates. Regardless of the merits of such lawsuits, they are extremely expensive to defend and litigate, and the damages awarded in such suits can be high. In addition, Otello has contractually undertaken to indemnify certain of our customers and partners, so, in the event they are sued for alleged intellectual property infringement, Otello would be required to defend them and pay their damages. Furthermore, an adverse judgment could require Otello to cease using certain technologies in our products or names for our products, requiring Otello to re-engineer or re-name our products. Compared to Otello, many of our competitors own large numbers of patents and other intellectual property rights. Although we do seek patent protection for certain innovations, we may not have sufficient protection for important innovations. Furthermore, because many large companies are able to settle intellectual property lawsuits by cross-licensing each other's technology, the fact that our patent portfolio is not as extensive as our competitors' portfolios could have a negative impact in a cross-licensing situation.

Acquisitions
Otello has made a number of acquisitions in the past and may make future acquisitions. Acquisitions and other strategic transactions can create operational and integration challenges, diversion of management attention, dilution, cultural challenges, assumption of liabilities or debt, and other challenges that can impact our business and results. In addition, making such acquisitions requires significant costs for legal and financial advice and can take management's focus away from achieving other strategic objectives.

Other factors
Risk factors not mentioned above and which are currently believed to be immaterial, or which are currently not known, could also materialize in a manner which could lead to a material adverse effect on the Otello Group's business, operations and financial position.

Discontinued operations

Sale of SurfEasy business
In November 2017, Otello entered into an agreement to sell its SurfEasy business to Symantec Corporation, the world's leading cyber security company. The closing of this transaction took place simultaneously with the announcement of the entering into an agreement, and all conditions for completion have therefore been fulfilled. The transaction valued SurfEasy to an enterprise value of USD 38.5m, 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 has recognized a gain of $21.6 million on the transaction which will not be taxable.

Sale of Consumer business in 2016
On November 4, 2016, a transaction between Otello Software ASA and Golden Brick Capital Private Equity Fund I L.P. (the "Buyer") for the sale and purchase of Otello's consumer business for $575 million was successfully closed. Otello recognized a gain of $439.7 million on the transaction which was not taxable.

Sale of TV business in 2016
Otello finalized an agreement on December 19, 2016 to sell its TV business ("Otello TV") for $80 million and an approximately 27% equity interest in Last Lion Ltd. through preferred shares which indirectly owns Vewd Software AS (formerly Opera TV AS). Otello recognized a gain of $71.0 million on the Transaction which was not taxable.

Accordingly, the Surfeasy, Consumer and TV businesses are presented separately as discontinued operations in the consolidated statement of comprehensive income and comparative periods are restated. The net profit recognized in the comprehensive income from these transactions was $30.7 million in 2017 (2016: $510.7 million).

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 mobileadvertising platform in the world. Otello expects AdColony to be adj. EBITDA profitable in 2018. Overall, longer term growth will be driven in particular by our move to more programmatic 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.

REPORT FROM THE BOARD OF DIRECTORS

– PARENT COMPANY INFORMATION ONLY

Below, please find financial information and commentary on Otello Corporation ASA, the parent company of the Otello group. Please note that the numbers and comments below are only applicable to the parent company and not for the Group. However, the information described above for the Group is also applicable for the parent company.

FINANCIAL SUMMARY

Following the sale the Group's Consumer and TV businesses, which were completed during 2016, the Company's main activities are to serve the Group as a whole, through the following functions and services: CEO/Board of Directors, corporate finance and accounting, legal, HR and IT. The Company charges group costs to subsidiaries. There is limited operational activity in both 2017 and 2016.

Operating expenses decreased by 25% in 2017, primarily due to a decrease in costs of goods sold as the Company's operational activities ceased, and a decrease in equipment, audit and legal expenses. Consequently, the Company's operating profit of $-8.6 million (2016: -11.4) increased by 25%. Profit before income taxes ended at $-13.4 million (2016: 0.7).

The decrease from 2016 was mainly due to the profit from sale of shares in 2016 and increased financial expenses, offset by the decrease in operating expenses, and by the lack of contingent consideration related expenses in 2017 compared to 2016. Income taxes were $-0.5 million (2016: 0.1), and the Company's profit for the period from continuing operations was $-13.9 million (2016: 0.8).

Net cash flow from operating activities in 2017 totaled $14.5 million (2016: -42.7). The Company's cash balance in 2017 was impacted negatively by pre-tax losses, and positively by changes in other liabilities and receivables.

The cash balance in 2017 was reduced by $100.3 million (2016: 186.4) related to repayment of loans and by $27.5 million (2016: $6.7 million) related to purchases of treasury shares.

As of December 31, 2017, the Company had a cash balance of $29.2 million (2016: 134.2). The Company's equity ratio was 96% (2016: 85%).

It is the Board's opinion that the annual accounts provide a true and fair view of the Company's activities in 2017.

Oslo, April 17, 2018

Audun Wickstrand Iversen *Chairman*	Frode Fleten Jacobsen	Birgit Midtbust
Sophie Charlotte Moatti	Andre Christensen	Lars Boilesen *CEO*

STATEMENT BY THE

BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer (CEO) have reviewed and approved the Board of Directors' report and the financial statements for Otello Group and Otello Corporation ASA as of December 31, 2017, (Annual Report for 2017).

The consolidated financial statements and the financial statements for the parent company have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretations adopted by the International Accounting Standards Board (IASB). The consolidated financial statements have also been prepared according to applicable regulations and paragraphs in the Norwegian Accounting Act and the relevant paragraphs in the Security Trading Act.

To the best of our knowledge:

- The consolidated financial statements and the financial statements for the parent company for 2017 have been prepared in accordance with applicable accounting standards.
- The consolidated financial statements and the financial statements for the parent company give a true and fair view of the assets, liabilities, financial position and profits as a whole as of December 31, 2017, for the Group and the parent company.
- The Board of Directors' report for the group and the parent company includes a true and fair review of:
  - The development and performance of the business and the position of the Group and the parent company
  - The principal risks and uncertainties the Group and the parent company face

Oslo, April 17, 2018

Audun Wickstrand Iversen
Chairman

Frode Fleten Jacobsen

Birgit Midtbust

Sophie Charlotte Moatti

Andre Christensen

Lars Boilesen
CEO

CONSOLIDATED GROUP FINANCIAL STATEMENTS 2017 OTELLO CORPORATION ASA

CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME

(USD million, except per share amounts)	Note	2017	2016
			Restated
Revenue	2, 5	419.0	532.2
Total operating revenue		**419.0**	532.2
Publisher and revenue share cost	2, 5	(249.6)	(310.1)
Payroll and related expenses, excluding stock-based compensation expenses	3, 5, 12	(91.2)	(105.5)
Stock-based compensation expenses	3	(7.8)	(9.4)
Depreciation and amortization expenses	7,9	(37.5)	(46.0)
Other operating expenses	3, 4, 5, 7, 12	(64.8)	(67.2)
Total operating expenses		**(450.9)**	(538.1)
Operating profit (loss), excluding restructuring and impairment expenses		**(31.8)**	(5.9)
Restructuring and impairment expenses	7, 8, 9, 12	(14.2)	(24.1)
Operating profit (loss)		**(46.1)**	(30.1)
Interest income	5	1.7	2.9
Interest expenses	5	(4.2)	(6.0)
Net financial income (expense)	5	(9.6)	0.8
Interest expense related to contingent consideration	11	(7.3)	(24.2)
FX gains (losses) related to contingent consideration, net	11	(1.3)	14.3
Revaluation of contingent consideration	11	3.5	(22.8)
Share of the profit (loss) from associated companies	17	0.4	(0.1)
Net financial items		**(16.8)**	(35.1)
Profit (loss) before income taxes		**(62.9)**	(65.2)
Income taxes	6	(4.0)	3.5
Profit (loss) from continuing operations		**(66.9)**	(61.7)
Profit (loss) from discontinuing operations, net of tax	16	**30.7**	488.2
Profit (loss)		**(36.2)**	426.4
Other comprehensive income:			
Items that may or will be transferred to profit (loss)			
Foreign currency translation differences		12.2	(16.3)
Discontinuing operations - reclassified to profit (loss)		(0.2)	(0.0)
Total comprehensive income (loss)		**(24.2)**	410.1
Profit (loss) attributable to:			
Owners of Otello Corporation ASA		(36.2)	426.4
Non-controlling interests		-	-
Total comprehensive income (loss) attributable to:			
Owners of Otello Corporation ASA		(24.2)	410.1
Non-controlling interests		-	-
Earnings per share (profit/loss):			
Basic earnings per share (USD)	15	(0.25)	2.91
Diluted earnings per share (USD)	15	(0.25)	2.91
Earnings per share (continuing operations):			
Basic earnings per share (USD)	15	(0.46)	(0.42)
Diluted earnings per share (USD)	15	(0.46)	(0.41)

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

USD million	Note	12/31/2017	12/31/2016
Assets			
Deferred tax assets	6	16.4	12.2
Goodwill	8, 9	322.6	322.2
Other intangible assets	8, 9	59.6	83.5
Property, plant and equipment	7	11.4	8.1
Other investments	14, 17	14.4	8.0
Other non-current assets		0.8	0.5
Total non-current assets		**425.2**	434.5
Inventories		-	0.2
Accounts receivable	5	111.4	154.6
Other receivables	5, 16	13.9	28.0
Cash and cash equivalents	5	86.0	219.5
Total current assets		**211.4**	402.4
Total assets		**636.6**	836.9

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

USD million	Note	12/31/2017	12/31/2016
Shareholders' equity and liabilities			
Equity attributable to owners of the company	10	468.0	519.6
Non-controlling interests	10	-	-
Total equity		**468.0**	519.6
Liabilities			
Deferred tax liabilities	6	5.8	9.2
Loans and borrowings	5	-	100.0
Other non-current liabilities	5	4.5	2.9
Provisions	11	28.5	54.3
Total non-current liabilities		**38.8**	166.3
Loans and borrowings	5	0.1	0.5
Accounts payable		35.3	36.3
Taxes payable	6	(3.8)	(4.0)
Public duties payable		2.6	7.1
Deferred revenue	5	5.0	7.9
Stock-based compensation liability	3	-	0.1
Other current liabilities	18	65.2	77.7
Provisions	11	25.4	25.4
Total current liabilities		129.8	151.0
Total liabilities		168.6	317.3
Total equity and liabilities		636.6	836.9

Oslo, April 17, 2018

Audun Wickstrand Iversen
Chairman of the Board

Frode Jacobsen

Birgit Midtbust

Sophie Charlotte Moatti

Andre Christensen

Lars Boilesen
CEO

CONSOLIDATED STATEMENT OF

CASH FLOWS

USD million	Note	2017	2016
Cash flow from operating activities			
Profit (loss) before taxes [1]		(32.3)	431.4
Income taxes paid	6	(10.2)	(13.3)
Depreciation and amortization expense	7, 9	38.7	58.7
Net (gain) loss from disposals of PP&E, and intangible assets		0.5	(0.1)
Net (gain) loss from sale of discontinued operations, net of tax	16	(36.4)	(510.7)
Impairment losses on intangible assets and goodwill	8,9	-	21.1
Changes in inventories, accounts receivable, accounts and other payables [2]	5	33.2	(0.4)
Other net finance items		-	0.2
Changes in other operating working capital		(2.6)	4.9
Share of net income (loss) and net (gain) loss from disposal of associated companies	17	(0.3)	5.0
Share-based remuneration	3	2.0	10.7
Earnout cost and cost for other contingent payments	11	5.2	30.8
FX differences related to changes in balance sheet items		10.2	(35.1)
Net cash flow from operating activities		**7.9**	3.1
- of which included in continuing operations		6.7	41.4
- of which included in discontinuing operations		1.2	(38.3)
Cash flow from investment activities			
Proceeds from sale of property, plant, and equipment (PP&E) and intangible assets		-	0.5
Purchases of property, plant and equipment (PP&E) and intangible assets	7,9	(10.3)	(6.3)
Capitalized development costs	7, 9	(15.0)	(19.2)
Proceeds from repayment of loans given		3.5	-
Loans to related parties		-	(5.5)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	16	33.8	618.1
Purchases of subsidiaries and associated companies, net of cash acquired [3][4]	17	(29.0)	(156.4)
Net cash flow from investment activities		**(17.1)**	431.1
- of which included in continuing operations		(49.2)	(170.8)
- of which included in discontinuing operations		32.1	601.9
Cash flow from financing activities			
Proceeds from exercise of treasury shares (incentive program)	10	0.0	1.8
Purchase of treasury shares	10	(27.5)	(6.7)
Proceeds from issuance of shares, net (incentive program)	10	-	9.5
Proceeds from loans and borrowings	5	-	135.0
Repayments of loans and borrowings	5	(100.3)	(186.4)
Dividends paid to equity holders of Otello Corporation ASA	10	-	(260.6)
Payment of finance lease liabilities	5	-	(5.0)
Net cash flow from financing activities		**(127.7)**	(312.3)
- of which included in continuing operations		(127.7)	(307.4)
- of which included in discontinuing operations		0.0	(5.0)
Net change in cash and cash equivalents		**(136.9)**	121.8
Cash and cash equivalents (beginning of period)		219.5	97.6
Effects of exchange rate changes on cash and cash equivalents [5]		3.4	-
Cash and cash equivalents [6][7]		**86.0**	219.5
- of which included in cash and cash equivalents in the balance sheet		86.0	219.5
- of which included in the assets of the disposal group (assets held for sale)		-	-

[1] Interest income and interest expenses are included in profit (loss) before taxes. Interest paid and interest received are recognized in the same year that interest income and interest expenses are recognized in the consolidated statement of comprehensive income, with the exception of interest related to re-evaluation of the contingent liabilities related to acquisitions. Conversion differences and interest related to, and re-evaluation of, contingent liabilities are recognized on a separate line as net cash flow from operating activities.

[2] Changes in unbilled revenue are included in changes in accounts receivables.

[3] Includes earnout payments. See note 11 for further information regarding payments.

[4] Includes an investment of $0.7 million in other shares. In 2016, $5.7 million consists of an investment in nHorizon Innovation.

[5] Effects of exchange rate changes on cash and cash equivalents has been increased by $3.4 million in 2017.

[6] As of December 31, 2017, the conversion discrepancy loss recognized on cash and cash equivalents was $3.6 million (2016: 0.7).

[7] Of which $1.7 million (2016: 4.2 million) is restricted cash as of December 31, 2017.

Reconciliation of profit (loss) before taxes, as presented in the consolidated statement of cash flows above:

USD million	2017	2016
Profit (loss) before income taxes	(62.9)	(65.2)
Profit (loss) from discontinuing operations, net of tax	30.7	488.2
Provision for taxes, discontinued operations	(0.1)	8.5
Profit (loss) before taxes, as presented in the consolidated statement of cash flows above	**(32.3)**	431.4

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

USD million (except number of shares)	Number of shares (million)	Paid-in capital	Other reserves	Reserve for treasury shares	Translation reserve	Other equity	Total equity
Balance as of 12/31/2016	147.7	348.5	49.1	(34.7)	(2.5)	159.2	**519.6**
Comprehensive income for the period							
Profit (loss)		-	-	-	-	(36.2)	(36.2)
Other comprehensive income							
Foreign currency translation differences		-	-	-	12.0	-	12.0
Total comprehensive income for the period		-	-	-	12.0	(36.2)	**(24.2)**
Contributions by and distributions to owners							
Dividends		-	-	-	-	(0.0)	(0.0)
Issuance of ordinary shares related to business combinations		-	-	-	-	-	0.0
Issuance of ordinary shares related to incentive program		-	-	-	-	-	0.0
Issuance of ordinary shares related to equity increase		-	-	-	-	-	0.0
Treasury shares purchased	(7.1)	(0.0)	-	(27.4)	-	-	(27.5)
Treasury shares sold	0.4	0.0	-	0.0	-	-	0.0
Tax deduction on equity issuance costs		-	-	-	-	-	0.0
Share-based payment transactions		-	2.0	-	-	-	2.0
Total contributions by and distributions to owners		(0.0)	2.0	(27.4)	-	(0.0)	**(25.5)**
Other equity changes							
Other changes		-	(0.0)	-	-	(1.9)	(1.9)
Total other equity changes		-	(0.0)	-	-	(1.9)	**(1.9)**
Balance as of 12/31/2017	141.0	348.5	51.0	(62.1)	9.5	121.1	**468.0**

Face value of the shares
The face value of the shares is NOK 0.02.

Other reserves
Other reserves consist of option and RSU costs recognized according to the equity settled method.

Reserve for treasury shares
The reserve for the Company's own shares comprises the face value cost and excess value of own shares held by the Company.

Translation reserve
The translation reserve consists of all foreign currency differences arising from the translation of the financial statements of group companies with a functional currency that is not USD.

Other equity
Other equity consists of all other transactions, including but not limited to, total recognized income and expense for the current period.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

USD million (except number of shares)	Number of shares (million)	Paid-in capital	Other reserves	Reserve for treasury shares	Translation reserve	Other equity	Total equity
Balance as of 12/31/2015	145.3	343.8	38.4	(34.7)	13.9	(6.6)	**354.9**
Comprehensive income for the period							
Profit (loss)		-	-	-	-	426.4	426.4
Other comprehensive income							
Foreign currency translation differences		-	-	-	(16.4)	-	(16.4)
Total comprehensive income for the period		-	-	-	(16.4)	426.4	**410.0**
Contributions by and distributions to owners							
Dividends		-	-	-	-	(260.6)	(260.6)
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-
Issuance of ordinary shares related to incentive program	3.8	11.3	-	-	-	-	11.3
Issuance of ordinary shares related to equity increase			-	-	-	-	-
Treasury shares purchased	(1.4)	(6.7)	-	-	-	-	(6.7)
Treasury shares sold		-	-	-	-	-	-
Tax deduction on equity issuance costs		-	-	-	-	-	-
Share-based payment transactions		-	10.7	-	-	-	10.7
Total contributions by and distributions to owners		4.6	10.7	-	-	(260.6)	**(245.3)**
Other equity changes							
Other changes		-	-	-	-	(0.0)	(0.0)
Total other equity changes		-	-	-	-	(0.0)	**(0.0)**
Balance as of 12/31/2016	147.7	348.5	49.1	(34.7)	(2.5)	159.2	**519.6**

NOTE 1

SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL INFORMATION

General information
Otello Corporation ASA (the "Company") is a company domiciled in Norway. The Company's principal offices are located at Gjerdrums vei 19, Oslo, Norway. The company is a public limited company that is listed on the Oslo Stock Exchange under ticker OTELLO.

The consolidated financial statements of the Group for the year ended December 31, 2017, comprise the Company and its subsidiaries.

Statement of compliance
The consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and the interpretations adopted by the International Accounting Standards Board (IASB). The consolidated and parent company financial statements have also been prepared according to applicable regulations and paragraphs in the Norwegian Accounting Act and the relevant paragraph in the Securities Trading Act.

These consolidated and parent company financial statements have been approved by the Board of Directors on April 17, 2018 and will be proposed to/are subject to approval by the Annual General Meeting June 5, 2018.

Basis of preparation
The consolidated and parent company financial statements have been prepared on a historical cost basis.

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

Except for, cash-settled, share-based payment arrangements and contingent considerations obtained in business combinations, no other assets or liabilities are recognized at their fair value. Assets and liabilities in the business combinations are valued at fair value at the acquisition date according to IFRS 13. No subsequent changes in fair value are recognized except for impairment losses. Receivables and debts are assumed to have a market value equal to the carrying amount.

The preparation of consolidated and parent financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS, which have a significant effect on the consolidated and parent company financial statements and estimates, with a significant risk of material adjustment in the next year, are discussed in note 13.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and parent company financial statements.

The accounting policies have been applied consistently by Group entities.

Changes in accounting policies
The Group has not changed its accounting policies during the 2017 financial year.

Basis of consolidation

Business combinations
Business combinations are accounted for using the acquisition method. Subsidiaries are included in the consolidated financial statements from the date the Group effectively obtains control of the subsidiary (acquisition date) and until the date the Group ceases to control the subsidiary. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree, plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not premeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquirer's awards) and relate to past services, then all or a portion of the amount of the acquiree's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Subsidiaries – consolidated financial statements
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control - associates and jointly controlled entities
Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates - associates and jointly controlled entities
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments, to align the accounting policies of the associate with those of the Group from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in subsidiaries – parent company
For investments in subsidiaries, associates and jointly controlled entities, the cost method is applied. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken as income. Dividends exceeding the portion of retained profit after the acquisition are reflected as a reduction in cost price. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount.

Investments in subsidiaries, associates and jointly controlled entities are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. An impairment loss is reversed if the impairment situation is deemed to no longer exist.

Transactions eliminated on consolidation
Intra-group balances, any unrealized gains and losses, or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate prevailing on that date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are recognized at fair value are translated to USD at foreign exchange rates prevailing on the date the fair value was determined.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from consolidation, are translated to USD at foreign exchange rates prevailing on the balance sheet date. Revenues and expenses of foreign operations are translated to USD using the approximate foreign exchange rates prevailing on the transaction date. Foreign exchange differences arising from re-translation are recognized directly in a separate component of equity.

Property, plant and equipment

Owned assets
Property, plant and equipment are recognized at cost, less accumulated depreciation (see below) and impairment losses (see accounting policy regarding impairment).

Where parts of property, plant and equipment have different useful lives, the components are depreciated separately.

Leased assets
Leases, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Expenses concerning the upgrading of leased premises have been capitalized and are amortized over the remaining term of the contract.

Subsequent costs
The Group recognizes, in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group, and the cost of the item can be measured reliably. All other costs are recognized in the statement of comprehensive income as an expense as incurred.

Depreciation
Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:
- Leasehold improvements Over term of contract
- Machinery and equipment Up to 10 years
- Fixtures and fittings Up to 5 years

The residual value, if not insignificant, is reassessed annually.

Intangible assets

Goodwill
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see above.

Goodwill is recognized at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment (see accounting policy regarding impairment).

Research and development
Expenses related to research activities, which are expected to lead to scientific or technological knowledge and understanding, are recognized as costs in the statement of comprehensive income in the period they are incurred.

Cost of building new features, together with significant and pervasive improvements of core platforms, provided that the significant and pervasive improvements of parts or main components of core platforms will generate probable future economic benefits, are capitalized as development costs and amortized on a straight-line, 3-year basis.

A significant portion of the work that engineering performs is related to the implementation of the ongoing updates that are required to maintain the platforms' functionality. Examples of updates include "bug fixes", updates made to comply with changes in laws and regulations, and updates made to keep pace with the latest trends. These costs are expensed as maintenance costs.

Other intangible assets
Other intangible assets, excluding deferred tax assets (see accounting policy regarding income tax) that are acquired by the Group, are recognized at cost less accumulated amortization (see below) and impairment losses (see accounting policy regarding impairment).

Subsequent expenditure
Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortization
Amortization is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are systematically tested for impairment at each balance sheet date.

Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially measured at fair value plus transaction costs, except for those non-derivative financial instruments classified as at fair value through profit or loss, which are initially measured at fair value without transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Trade and other receivables
Trade and other receivables are recognized at amortized cost less impairment losses (see accounting policy regarding impairment).

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Deposits in money market funds are included in cash and cash equivalents, as the funds can be withdrawn from the money market fund at will.

Impairment

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets
The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The cash-generating unit is considered to be the acquired companies. Please see note 8 for further information. Impairment losses are recognized in the statement of comprehensive income.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Calculation of recoverable amount
The recoverable amount of the Group's assets is the greater of their fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of goodwill is not reversed.

With respect to other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount do not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Dividends
Dividends on shares are recognized as a liability in the period in which they are declared.

Employee benefits – Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Restructuring
A provision for restructuring costs is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been publicly announced. Further, operating losses are not provided for.

Termination benefits
Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for restructuring. If benefits are not expected to be settled within 12 months of the end of the reporting period, then they are discounted.

Share-based payment transactions
The share option program allows Group employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black & Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Restricted Stock Unit Plans are measured at the grant date using the current market value reduced by expected dividends paid before the vesting date, which is then further discounted.

Provisions
A provision is recognized in the statement of financial position when the Group has a currently existing legal or constructive obligation as a result of a past event, and it is probable that a future outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The fair value of a contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e., probability-weighted). Since a part of the contingent consideration is long-term in nature, it is discounted to present value.

Trade and other payables
Trade and other payables are recognized at amortized cost.

Revenue recognition
The Company has the following primary sources of revenue:

- Advertising
- Application and content
- Licenses/royalties

Otello's main revenue recognition principles are as follows: Otello only recognizes revenues when: (i) persuasive evidence of an arrangement exists (i.e. signed agreement), (ii) delivery of the product and/or service has occurred, (iii) revenue is fixed and determinable, and the amount of revenue can be measured reliably and (iv) collection of payment is reasonably assured.

Advertising
Otello recognizes revenue based on the activity of mobile users viewing ads through Otello-owned properties, developer applications and mobile websites. Our revenue is recognized when our 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. At that time, our services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists, and collectability is reasonably assured.

Otello sells advertising on several bases: CPM (cost per thousand), where Otello charges advertisers and recognizes revenue based on when an ad is delivered to a consumer; CPCV (cost per completed video view), where Otello charges advertisers and recognizes revenue based upon a completed view of a mobile video advertisement; CPC (cost per click), where Otello charges advertisers and recognizes revenue for each ad clicked on by a consumer; and CPI (cost per install), where Otello charges advertisers and recognizes revenue each time a consumer takes a specified action, such as downloading an application. The vast majority of our revenue today is earned on a CPM and CPCV basis, although Otello expects advertising revenue delivered on a CPC and CPA basis to increase in the future.

For the revenue generated through Otello-owned properties, revenue is reported on a gross basis, as Otello is the principal in our transactions with advertisers. Otello is responsible for identifying and contracting with third-party advertisers, establishing the selling prices of the advertisements sold, and performing all billing and collection activities, including retaining credit risk, as well as bearing sole responsibility for fulfillment of the advertising. Accordingly, Otello acts as the principal in these arrangements and, therefore, reports revenue earned and costs incurred related to these transactions on a gross basis.

In the normal course of business, Otello acts as an intermediary in executing transactions with third parties. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether Otello is acting as the principal or an agent in our transactions with advertisers. The determination of whether Otello is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching our conclusions on gross versus net revenue recognition, Otello places the most weight on the analysis of whether Otello is the primary obligor in the arrangement. For agreements where Otello has a contractual relationship with both the publisher and the associated advertisement supplier, Otello is responsible for identifying and contracting with third-party advertisers, establishing the selling prices of the advertisements sold and performing all billing and collection activities, including retaining credit risk, as well as bearing sole responsibility for fulfillment of the advertising. Accordingly, Otello acts as the principal in these arrangements and, therefore, reports revenue earned and costs incurred related to these transactions on a gross basis. For agreements where the publisher has a direct contractual relationship with the advertiser, revenue is recognized on a net basis, as Otello is not the primary obligor and does not assume the fulfillment and credit risk.

Otello also offers additional services to assist in both forecasting and/or transmission of information between publishers and advertisers. Otello recognizes revenue once our services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists and collectability is reasonably assured.

Application and content
Application and Content revenue comprises 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.

When a transaction occurs in Bemobi Mobile Store, Otello collects the payment and shares a percentage of the revenue with the developer. When a transaction occurs in a "co-branded" or an operator-controlled version of the mobile store, two payment methods will exist. The user may pay using the Otello Payment Exchange, in which case Otello would collect and share a percentage of the revenue with both the operator and the developer, or the user may use a form of carrier billing, where the operator would collect the payment and share a portion of the revenue with Otello, who would in turn share a percentage of revenue with the developer. The revenue occurs on a transaction basis, and is recognized in the period in which the transaction occurs.

Licenses/royalties
Customer device agreements typically involve multiple sources of revenue, including license/royalty income, development fees, and maintenance and support. For customer contracts where development and customization have already been completed, or, if no development or customization is required, Otello typically recognizes license/royalty revenue in the same period as the customer ships the devices with Otello preinstalled. In cases where Otello is not preinstalled, Otello recognizes license/royalty income when the customer or customer's customer downloads the Otello browser to its device.

For certain agreements, a customer commits on contract signature to pay, on an installment basis, for a fixed or unlimited number of licenses over an extended time period. In these cases, provided that Otello has no substantive customization obligations attached to these committed licenses; Otello recognizes revenues on these licenses in the accounting period in which the installment payment is due from the customer, as these contracts include extended payment terms.

Publisher and revenue share costs
Cost of goods sold comprises publisher costs and the cost of licenses purchased from third-party suppliers. Publisher costs consist of the agreed-upon payments Otello makes to publishers for their advertising space, in which we deliver mobile ads. These payments are typically determined in advance as either a fixed percentage of the advertising revenue we earn from mobile ads placed on the publisher's application or website or as a fixed fee for that ad space. Otello recognizes publisher cost at the same time we recognize the associated revenue. License costs are the costs of licenses purchased from third-party suppliers.

Other income (costs)
Material income and costs, which are not related to the normal course of business, are classified as other operating income (cost).

Lease payments
Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of comprehensive income as an integral part of the total lease expense.

Net financing costs
Other finance income and costs comprise foreign exchange gains and losses and contingent consideration, which are recognized in the statement of comprehensive income.

Interest income is recognized in the statement of comprehensive income as it accrues, using the effective interest method.

Dividend income is recognized in the statement of comprehensive income on the date upon which the entity's right to receive payments is established.

Income tax
Income tax on the profit or loss for the year comprises current and deferred taxes. Income tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.
Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Taxes paid abroad for the parent company will be deducted in Norwegian taxes if the Company has taxes payable in Norway. If Otello has no Norwegian taxes payable, the taxes paid abroad will be carried forward as a deductible in future taxes payable.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which include share options granted to employees.

Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. See note 2 for further information.

New and amended standards adopted by the Group
No standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2017 have a material impact on the Group.

New standards, amendments and interpretations not yet adopted
Number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018. None of these is expected to have significant effect on the consolidated statements of the Group. See below for further details.

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after 1 January 2018. IFRS 15 will replace IAS 11, IAS 18 and several guidelines.
The new IFRS is built on a five-step model to determine the measurement and the recognition of the revenue. In the first and second step, the customer contract and the separate performance obligations are identified. In the third and fourth steps, the transaction price is determined and allocated. In the fifth and last step, the revenue is recognized based on the satisfaction of the performance obligation.

The Group has assessed the impact of IFRS 15 by analyzing different revenue streams and contracts. The Group recognizes revenues from following main sources:

Advertising – Performance: Revenue is recognized if a user installs a game (i.e. a user plays a game, sees advertising, clicks on it and installs a game) – CPI (cost per install) or if a user views an ad – CPCV (cost per completed view).

Advertising – Programmatic: Revenue is recognized when the service is delivered and is based on information from a data management platform.

Advertising – Brand: Revenue is recognized based on the following: CPM (cost per thousand), where Otello charges advertisers and recognizes revenue based on when an ad is delivered to a user; CPCV (cost per completed video view), where Otello charges advertisers and recognizes revenue based upon a completed view of a mobile video advertisement; and CPC (cost per click), where Otello charges advertisers and recognizes revenue for each ad clicked on by a user.

Application and content: Revenue comprises 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.

As part of Otello's assessment process, the following points, amongst else, were addressed

- Otello has written contracts where it is clear who the customer is, what each party's rights are, what the payment terms are, there is a commercial substance and collection of the consideration is clear.
- The vast majority of contracts are short-term, and can be cancelled with very short notice without penalty. In other words there is no binding element.
- Discounts are given on a monthly and quarterly basis, which are recognized in the same period as they are incurred.
- The vast majority of contracts are not considered to contain several performance obligations.
- There are no barter transactions found in the Group's contracts.

Therefore, no material adjustments to revenue recognition due to the above points are expected to take place.

Advertising revenue is recognized each time a user views, clicks etc on advertisement, on a point in time basis.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods or services. Currently, the Group recognizes revenue when the goods or services are delivered to the customer. The Group does not expect any significant impact on the timing of the revenue recognition from the sale of products.

Based on its assessment, the Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

IFRS 9 Financial instruments is effective for accounting periods beginning on or after 1 January 2018.
The final version of IFRS 9 Financial Instruments contains the revised regulations concerning the classification and measurement of financial instruments, accounting of impairment of financial assets and hedge accounting. The standard is to fully replace IAS 39. The new regulations for the classification and measurement of financial instruments no longer contain the categories "available for sale", "held to maturity" and loans and receivables from IAS 39. Apart from the measurements "at amortized cost" and at "fair value through profit or loss" it will henceforth be possible to account for financial instruments at "fair value through OCI". All financial instruments for which the cash flow condition (contractual cash flow characteristics test) is not met are automatically accounted for at fair value through profit or loss. By way of exception, changes of the fair value of equity instruments not held for trading can be recognized in other comprehensive income. If the cash flow condition is deemed met and the financial instrument is held for the purpose of collecting the contractual cash flows, the financial instrument shall be accounted for at amortized cost.

IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39. Two measurement categories continue to exist: fair value through profit or loss and amortized cost. Financial liabilities held for trading are measured as fair value through profit or loss unless the fair value option is applied. Otello does not have any financial liabilities held for trading. Therefore, the measurement of financial liabilities shall continue at amortized cost as previously.

There are no indications that this standard will have a material impact on the Group.

IFRS 16 Leasing is effective for annual reports beginning on or after 1 January 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. See note 7 for information regarding non-terminable lease obligations.

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 1 January 2019

NOTE 2

OPERATING AND GEOGRAPHIC SEGMENT INFORMATION

The Group's business activities 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.

Following the sale of the Group's Consumer business and the TV business in 2016, changes in the Group's internal reporting processes resulted in the three remaining business units being reported separately to Group Executive Management (chief operating decision-makers). Members of Group Executive Management are specified in note 3. Therefore, these business units have been presented as segments since 2016. In addition, the Group reports Corporate Costs separately.

Otello sold its VPN business, Surfeasy, which was part of the Performance & Privacy segment in November 2017. Accordingly, the SurfEasy, Consumer and TV businesses are presented separately as discontinued operations in the consolidated statement of comprehensive income and comparative periods are restated. See note 16 for further information regarding discontinued operations.

The following are Otello's segments as at December 31, 2017:

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 of 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)
Skyfire revenue is primarily comprised of license fees from Rocket Optimizer™.

Corporate costs
Corporate costs comprise primarily 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 othercosts related to business combinations and the strategic review process.

See note 1 for further information regarding revenue recognition.

Revenue *[USD million]*	**2017**	**2016**
AdColony (Mobile Advertising)	364.9	484.2
Bemobi (Apps & Games)	52.9	48.2
Skyfire (Performance & Privacy)	2.6	4.7
Corporate Costs	0.1	(0.0)
Eliminations Continued Operations	(0.3)	(0.3)
Eliminations against Discontinued Operations [1]	(1.1)	(4.6)
Total Group	**419.0**	532.2

Gross profit	**2017**	**2016**
AdColony (Mobile Advertising)	128.5	185.8
Bemobi (Apps & Games)	38.2	31.6
Skyfire (Performance & Privacy)	2.7	4.7
Corporate Costs	0.1	0.0
Eliminations	(0.0)	0.0
Total Group	**169.5**	222.0

Adjusted EBITDA [2]	**2017**	**2016**
AdColony (Mobile Advertising)	(1.5)	40.4
Bemobi (Apps & Games)	22.7	22.5
Skyfire (Performance & Privacy)	(2.2)	(7.0)
Corporate Costs	(5.4)	(6.5)
Eliminations Continued Operations	(0.0)	0.0
Eliminations against Discontinued Operations	0.0	(0.0)
Total Group	**13.5**	49.4

[1] See note 16 for further information regarding discontinued operations.

[2] Excluding restructuring and impairment expenses and stock-based compensation expenses.

Adjusted EBITDA is reviewed regularly by Group Executive Management, since it is considered to represent an appropriate measure showing the underlying operational performance excluding non-recurring items.

Reconciliation of Adjusted EBITDA *[USD million]*	**2017**	**2016**
Profit (loss) from continuing operations	**(66.9)**	(61.7)
Income taxes	4.0	(3.5)
Profit (loss) before income taxes	**(62.9)**	(65.2)
Net financial items	16.8	35.1
Operating profit (loss)	**(46.1)**	(30.1)
Depreciation and amortization expenses	37.5	46.0
Restructuring and impairment expenses	14.2	24.1
Stock-based compensation expenses	7.8	9.4
Adjusted EBITDA	**13.5**	49.4

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) in the Consolidated statement of comprehensive income excluding depreciation and amortization.

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

Revenues

Revenue by region *[USD million]*	**2017**	**2016**
Americas [1] [2]	230.2	319.9
EMEA[3]	135.6	133.7
Asia Pacific	53.2	78.6
Total	**419.0**	532.2

[1] Revenue attributed to customers domiciled in the United States amounted to $179.9 million (2016: 266.4).
[2] Revenue attributed to customers domiciled in Brazil amounted to $41.3 million (2016: 40.4).
[3] Revenues attributed to Norway amounted to $5.0 million (2016: 4.1), and revenue attributed to all foreign countries in total amounted to $414.0 million (2016: 528.1).

The breakdown of revenue by region reflects the customer's country of domicile. Consequently, the revenue breakdown reflects the location of Otello's customers. Because the products of Otello's customers are distributed globally, the breakdown above does not accurately reflect where Otello's derivative products are actually used.

In 2017 and 2016, there were no customers that accounted for more than 10% of total Group revenues.

Total assets by segment *[USD million]*	**2017**	**2016**
AdColony	467.0	540.1
Bemobi (Apps & Games)	107.5	126.1
Skyfire (Performance & Privacy)	10.7	11.2
Other (including parent company)	51.4	159.4
Total	**636.6**	836.9

Non-current assets by segment *[USD million]*	**2017**	**2016**
Assets by segment		
AdColony	315.3	316.5
Bemobi (Apps & Games)	75.3	90.0
Skyfire (Performance & Privacy)	0.1	4.0
Other (including parent company)	18.1	11.9
Total	**408.8**	422.3

[1] 2016 figures for Skyfire (Performance & Privacy) includes the Surfeasy business.
See note 8 for information regarding impairment losses per segment.

Non-current assets by location *[USD million]*	**2017**	**2016**
Non-current assets located in Norway	21.3	11.9
Non-current assets located in United States	293.0	301.2
Non-current assets located in foreign countries	94.5	109.2
Total	**408.8**	422.3

The breakdown of non-current assets above does not include financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

The vast majority of the value of non-current assets is related to acquisitions. See note 8 and 9 for further information.

NOTE 3

PAYROLL EXPENSES AND REMUNERATION TO MANAGEMENT

Payroll expenses *[USD million]*	**2017**	**2016**
Salaries and bonuses	(68.7)	(80.9)
Social security cost	(6.7)	(7.4)
Pension cost	(2.3)	(2.4)
Stock-based compensation expense, including social security cost	(7.8)	(9.4)
Insurance and other employee benefits	(6.9)	(7.8)
Payments to long-term contractual staff	(6.6)	(7.0)
Total	**(99.0)**	(114.8)
Average number of full time equivalents	809	1 017

The Norwegian companies in the Group are obligated to follow the Act on Mandatory company pensions andthese companies pension schemes follow the requirement as set in the Act.

Compensation to the CEO and Chairman of the Board
The CEO has waived his rights under Section 15-16 of the Norwegian Working Environment Act of 2005 relating to employees' protection, termination of employment contracts, etc.

As compensation, the CEO is entitled to receive a termination amount of two years' base salary if the employment contract is terminated by the Company.

As of December 31, 2017, there was no existing severance agreement between Otello and the Chairman of the Board.

The Group has not given any loans or security deposits to the CEO, the Chairman of the Board or their related parties.

A bonus program exists for the senior executive team at Otello. For each individual executive, a limit is set for the amount of bonus that can be achieved. The size of the bonus payment is dependent on actual company performance compared to a set of predefined targets. The bonus program and predefined targets are approved by the Renumeration committee and the Board of Directors.

An accrual for all 2017 bonuses for senior executives has been recognized in the consolidated financial statements.
Bonuses will be paid in 2018.

Share compensation program:
Otello currently has two equity-based incentives: ordinary stock options and Restricted Stock Units ("RSU"), as most recently approved at an extraordinary general meeting held April 4, 2017.

Vesting criteria for existing RSUs
For members of the Executive Team, the RSUs are typically linked to achievement of further specified targets related to reported revenue and reported adjusted EBITDA. All RSUs previously granted to members of the Executive Team, have been issued with vesting criteria which are in accordance with the approvals given by the Annual General Meeting held in 2014, the Annual General Meeting in 2015, and/or the Extraordinary General Meeting held in January 2016.

Vesting criteria for existing options
Options granted to AdColony employees in accordance with the approval given by the shareholders at the extraordinary general meeting held on April 4, 2017, vest over three years with 1/3 each year.

Options granted to Otello Corporation ASA employees in accordance with the approval given by the shareholders at the extraordinary general meeting held on April 4, 2017, vest over four years with ¼ each year.

Options

Weighted average exercise price
The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2017 (NOK)	Number of options 2017 (in thousands)	Weighted average exercise price 2016 (NOK)	Number of options 2016 (in thousands)
Outstanding at the beginning of the period	31.04	815	39.46	5 180
Terminated (employee terminations)	38.91	5 200	57.74	1 095
Forfeited during the period	-	-	-	-
Expired during the period	-	-	-	-
Exercised during the period	17.55	366	32.16	3 270
Granted during the period	38.50	8 338	-	-
Outstanding at the end of the period	38.28	3 587	31.04	815
Exercisable at the end of the period		253		462

The fair value of services received in return for stock options granted is measured by using the Black & Scholes option pricing model.

The expected volatility is based on historic volatility (calculated using the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information.

Share options are granted under service conditions, not market-based conditions. Such conditions are not taken into account in the grant date fair-value measurement. There are no market conditions associated with the share option grants. An annual average attrition rate of 15% is used. This average attrition rate, and the employees responsibility for paying the Company's contributions related to the options, are taken into consideration when estimating the cost of the options in accordance with IFRS 2. Given that employees have the right to exercise their options one or three years after the vesting date (depending on when the options were granted), the estimate is based on an assumption that the employees, on average, are exercising their options 18 months after the vesting date.

8 338 201 options were granted in 2017 (2016: 0 options granted).

The strike price for options that have not yet vested shall be adjusted for any dividend paid out during the vesting period.

The table below shows the number of options issued to employees at various strike prices and exercise dates.

	TOTAL OUTSTANDING OPTIONS			VESTED OPTIONS	
Exercise price	**Outstanding options per 12/31/2017 (in thousands)**	**Weighted average remaining lifetime (years)**	**Weighted average exercise price (NOK)**	**Vested options 12/31/2017 (in thousands)**	**Weighted average exercise price (NOK)**
0.00 - 10.00	-	-	-	-	-
10.00 - 12.30	80	1.66	11.68	80	11.68
12.30 - 15.00	-	-	-	-	-
15.00 - 20.00	55	2.63	19.28	55	19.28
20.00 - 25.00	50	1.93	22.08	50	22.08
25.00 - 30.00	-	-	-	-	-
30.00 - 35.00	-	-	-	-	-
35.00 - 40.00	3267	3.50	38.50	-	-
40.00 - 45.00	-	-	-	-	-
45.00-	135	3.72	60.75	68	60.75
Total	3587	3.43	38.22	253	28.51

Exercise price	TOTAL OUTSTANDING OPTIONS Outstanding options per 12/31/2016 (in thousands)	Weighted average remaining lifetime (years)	Weighted average exercise price (NOK)	VESTED OPTIONS Vested options 12/31/2016 (in thousands)	Weighted average exercise price (NOK)
0.00 - 10.00	63	0.89	6.46	63	6.46
10.00 - 12.30	210	2.33	11.66	210	11.66
12.30 - 15.00	-	-	-	-	-
15.00 - 20.00	175	3.74	19.28	68	19.28
20.00 - 25.00	122	3.18	22.22	122	22.22
25.00 - 30.00	-	-	-	-	-
30.00 - 35.00	-	-	-	-	-
35.00 - 40.00	-	-	-	-	-
40.00 - 45.00	-	-	-	-	-
45.00-	245	4.72	60.75	-	-
Total	815	3.37	29.24	462	14.86

Exercise price = strike price

The table below shows the date, number and achieved selling price of options exercised.

Date of exercise	Number of exercised options (in thousands)	Achieved selling price (NOK)
3/20/2017	349	38.04
6/9/2017	19	31.57
Total	**366**	

Date of exercise	Number of exercised options (in thousands)	Achieved selling price (NOK)
3/7/2016	532	66.87
9/7/2016	1171	53.50
11/16/2016	1568	49.96
Total	**3270**	

Restricted stock units
The total number of RSUs granted to managment and employees in 2017 was 0 (2016: 2,409,833).

Fair value of RSUs and assumptions *[Numbers in NOK]*	**2017**	**2016**
Fair value at measurement date (average per RSU)	-	62.61
Spot Price at grant	-	63.36
Expected dividends to reduce fair value (PV)	-	0.75
RSU life, in years	-	1.90
Risk-free interest rate (based on national government bonds), in %	-	0.51%

Restricted Stock Units	2017 Shares (in thousands)	Weighted Average Exercise Price (NOK)	2016 Shares (in thousands)	Weighted Average Exercise Price (NOK)
Outstanding at the beginning of period	2 711	0.02	2 120	0.02
Granted	-	-	2 410	0.02
Exercised	-	-	-	-
Released	(778)	0.02	(614)	0.02
Cancelled	(1 361)	-	-	-
Forfeited	(426)	0.02	(758)	0.02
Expired	-	-	-	-
Adjusted quantity	209	0.02	(446)	0.02
Performance adjusted	-	-	-	-
Outstanding at the end of period	355	0.02	(2 711)	0.02
Vested RSUs	20	0.02	100	0.02
Weighted Average Fair Value of RSUs Granted during the period	-	-	2 410	63
Intrinsic value outstanding RSUs at the end of the period	355	9 294 919	2 711	101 077 786
Intrinsic value vested RSUs at the end of the period	20	519 594	100	3 711 224

The actual 2017 performance level was 0%.
The actual 2016 performance level was 86%.

Compensation to executive management

Compensation to executive management 2017 *[USD million]*	Remuneration	Salary	Bonus	Other compensation	Pension compensation	Benefit exercised options/ RSUs	Total compensation
Executive Manangement							
Lars Boilesen, CEO	-	0.65	0.31	0.04	0.08	0.16	1.24
Petter Lade, CFO from January 1	-	0.16	0.02	0.00	0.00	-	0.19
Roar Olbergsveen, CAO, from February 28	-	0.17	0.03	0.00	0.00	-	0.20
Will Kassoy, CEO AdColony until December 21	-	0.48	0.03	-	0.01	0.02	0.53
The Board of Directors							
Audun Wickstrand Iversen	0.09	-	-	-	-	-	0.09
Frode Jacobsen, Board Member	0.04	-	-	-	-	-	0.04
Andre Christensen, Board Member	0.05	-	-	-	-	-	0.05
Sophie Charlotte Moatti, Board Member	0.04	-	-	-	-	-	0.04
Marianne Blystad, Board Member until June 2	0.03	-	-	-	-	0.04	0.07
Birgit Midtbust, Board Member from June 2	0.02	-	-	-	-	-	0.02
The Nomination Committee							
Jakob Iqbal, Chairman	0.01	-	-	-	-	-	0.01
Nils Foldal, Member	0.00	-	-	-	-	-	0.00
Kari Stautland, Member	0.00	-	-	-	-	-	0.00
Total	**0.27**	**1.47**	**0.39**	**0.05**	**0.09**	**0.22**	**2.48**

Presented above are the bonuses earned in 2017 and paid in 2017 and 2018, which are based on the 2017 results. Will Kassoy's compensation excludes proceeds related to his equity interest and participation in the management bonus plan in relation to the earnout agreement for AdColony.

Other remuneration mentioned in the Norwegian Accounting Act § 7-31b has no relevance for the Company.

Members of Executive Management are included in the Company's employee pension scheme, which is a defined contribution plan.

There has been no compensation or other economic benefit provided in 2016 or 2017 to any member of the Executive Team or Board of Directors from the Company or any business owned by the Company, except that mentioned above.

In 2016 and 2017, there has been no significant additional compensation given to directors with regard to special services performed outside of their normal function.

Compensation to executive management 2016 *[USD million]*	**Remuneration**	**Salary**	**Bonus**	**Other compensation**	**Pension compensation**	**Benefit exercised options/ RSUs**	**Total compensation**
Executive Management							
Lars Boilesen, CEO	-	0.50	2.03	0.02	0.08	1.02	3.63
Erik C. Harrell, CFO/CSO until April 15	-	0.36	0.18	0.02	0.02	1.33	1.92
Frode Jacobsen, CFO, from April 15 to November 4	-	0.15	0.30	0.00	0.02	0.01	0.47
Andreas Thome, CCO until November 4	-	0.24	0.33	0.00	0.03	0.81	1.40
Will Kassoy, CEO AdColony	-	0.44	0.03	-	0.01	0.04	0.51
The Board of Directors							
Sverre Munck, Chairman until 15 December	0.13	-	-	-	-	-	0.13
Audun Wickstrand Iversen, Board Member until 15 December, Chairman from 15 December	0.04	-	-	-	-	-	0.04
Frode Jacobsen, Board Member from 15 December, see above under executives		-	-	-	-	-	-
Andre Christensen, Board Member	0.04	-	-	-	-		0.04
Marianne Blystad, Board Member	0.04	-	-	-	-	0.03	0.07
Sophie Charlotte Moatti, Board Member	0.04	-	-	-	-	-	0.04
Christian Uribe, Board Member - Employee Representative until May 22	0.00	0.06	-	0.00	-	-	0.06
Robert Mieczyslaw Tomaszewski - Employee Representative from May 22 until November 4	0.01	0.10	-	-	0.00	-	0.11
Erik Möller, Board Member - Employee Representative until November 4	0.01	0.05	-	-	0.00		0.06
Lis Malin Rundberg, Board Member - Employee Representative until November 4	0.00	0.06	0.00	0.00	-	-	0.06
The Nomination Committee							
Jakob Iqbal, Chairman	0.01	-	-	-	-	-	0.01
Nils Foldal, Member	0.00	-	-	-	-	-	0.00
Kari Stautland, Member	0.00	-	-	-	-	-	0.00
Total	**0.32**	**1.94**	**2.86**	**0.04**	**0.15**	**3.25**	**8.55**

Presented above are the bonuses earned in 2016 and paid in 2016 and 2017, which are based on the 2016 results. Will Kassoy's compensation excludes proceeds related to his equity interest and participation in the management bonus plan in relation to the earnout agreement for AdColony.

Frode Jacobsen and Andreas Thome were no longer part of executive management following the sale of substantially all of the Consumer business on November 4, 2016.

Audun Wickstrand Iversen was elected as Chairman of the Board, and Frode Jacobsen as Board Member on December 15, 2016.

Christian Uribe left the company on May 22, 2016, and was replaced as an Employee representatives by Robert Mieczyslaw Tomaszewski.

Robert Mieczyslaw Tomaszewski, Erik Möller and Lis Malin Rundberg resigned as Employee Representatives following the sale of substantially all of the Consumer business on November 4, 2016.

After the sale of the Consumer business in November 2016, the Employee representative scheme was terminated following a vote held by existing employees of Otello Corporation ASA.

Options to executive management 2017
There are no existing agreements regarding the dispensation of loans or security deposits to key personnel, members of the board or their related parties.

The following table shows the number of options held by executive management. *[In thousands of options]*	**Opening balance**	**Granted options**	**Terminated options**	**Exercised options**	**Average exercise price – A (NOK)**	**Closing balance**	**Weighted average exercise price – B (NOK)**	**Weighted average lifetime – C**	**Intrinsic Value of outstanding options ($ million)**	**IFRS 2 cost for the period ($ million)**
Executive Manangement										
Lars Boilesen, CEO	-	1 200	-	-	38.50	1 200	38.50	3.70	-	0.44
Petter Lade, CFO from January 1	40	250	-	-	38.50	290	38.85	3.54	0.03	0.09
Roar Olbergsveen, CAO, from February 28	60	200	-	-	38.50	260	3.48	1.31	0.05	0.09
Will Kassoy, CEO AdColony until December 21	-	2 489	(2 489)	-	38.50	-	-	-	-	(1.20)
Total	**100**	**4 139**	**(2 489)**			**1 750**			**0.08**	**(0.57)**

A – average exercise price for options executed in the financial year

B – average exercise price for the number of options held by the end of the financial year

The table below shows option and RSU grants in 2017 and option and RSU costs in 2017

(in thousands of options and RSUs, cost in USD million)	Granted **Options**	**2017 Cost**	RSUs **Granted**	**2017 Cost**
Executive Manangement				
Lars Boilesen, CEO	1 200	0.44	-	0.32
Petter Lade, CFO from January 1	250	0.09	-	-
Roar Olbergsveen, CAO, from February 28	200	0.09	-	-
Will Kassoy, CEO AdColony until December 21	2 489	(1.20)	-	-
Total	4 139	(0.57)	-	0.32

Options to executive management 2016
There are no existing agreements regarding the dispensation of loans or security deposits to key personnel, members of the board or their related parties.
The following table shows the number of options held by executive management.

[In thousands of options]	**Opening balance**	**Issued options**	**Terminated options**	**Exercised options**	**Average exercise price – A (NOK)**	**Closing balance**	**Weighted average exercise price – B (NOK)**	**Weighted average lifetime – C**	**Intrinsic Value of outstanding options ($ million)**	**IFRS 2 cost for the period ($ million)**
Executive Manangement										
Lars Boilesen, CEO	300	-	-	(300)	22.36	-	-	-	-	-
Erik C. Harrell, CFO/CSO until April 15	613	-	-	(613)	35.06	-	-	-	-	0.06
Frode Jacobsen, CFO, from April 15 to November 4	35	-	(28)	(8)	38.60	-	-	-	-	(0.03)
Andreas Thome, CCO until November 4	520	-	-	(520)	36.46	-	-	-	-	0.06
Will Kassoy, CEO AdColony	-	-	-	-	-	-	-	-	-	-
Total	**1 468**		**(28)**	**(1 440)**		**-**	**-**	**-**	**-**	**0.09**

A – average exercise price for options executed in the financial year

B – average exercise price for the number of options held by the end of the financial year

The table below shows option and RSU grants in 2016 and option and RSU costs in 2016

(in thousands of options and RSUs, cost in USD million)	Options Granted	2016 Cost	RSUs Granted	2016 Cost
Executive Manangement				
Lars Boilesen, CEO	-	-	-	0.35
Erik C. Harrell, CFO/CSO until April 15	-	0.06	-	0.08
Frode Jacobsen, CFO, from April 15 to November 4	-	(0.03)	-	0.00
Andreas Thome, CCO until November 4	-	0.06	-	(0.05)
Will Kassoy, CEO AdColony	-	-	329	1.18
Total	-	0.09	329	1.56

Shares, options, RSUs owned by members of the Board and the Chief Executive Officer as of December 31, 2017
[In thousands of shares, options and RSUs]

Name	Commission	Shares	Options	RSUs	Total	Weighted average strike price - options (NOK)	Weighted average strike price - RSUs (NOK)
Audun Wickstrand Iversen [1]	Chairman	-	-	-	-	-	-
Frode Jacobsen	Board Member	10	-	-	10	-	-
Andre Christensen	Board Member	-	-	-	-	-	-
Birgit Midtbust	Board Member	-	-	-	-	-	-
Sophie Charlotte Moatti	Board Member	-	-	-	-	-	-
Lars Boilesen	CEO	196	1 200	107	1 502	38.50	0.02
		206	1 200	107	1 513		

[1] Audun Wickstrand Iversen holds 50,000 shares through Naben AS, 100% owned by Iversen.

Shares, options and RSUs owned by other members of Executive Management as of December 31, 2017
[In thousands of shares, options and RSUs]

	Title	Shares	Options	RSUs	Total	Weighted average strike price - options (NOK)
Petter Lade	CFO from January 1	41	290	-	331	35.72
Roar Olbergsveen	CAO from February 28	-	260	-	260	36.66
Will Kassoy	CEO AdColony until December 21	291	-	-	291	-
		332	550	-	882	

Shares, options, RSUs owned by members of the Board and the Chief Executive Officer as of December 31, 2016
[In thousands of shares, options amd RSUs]

Name	Commission	Shares	Options	RSUs	Total	Weighted average strike price - options (NOK)	Weighted average strike price - RSUs (NOK)
Audun Wickstrand Iversen [1]	Chairman	-	-	-	-	-	-
Frode Jacobsen	Board Member	10	-	-	10	-	-
Andre Christensen	Board Member	-	-	-	-	-	-
Marianne Blystad [2]	Board Member	-	18	-	18	8.40	
Sophie Charlotte Moatti	Board Member	-	-	-	-	-	-
Lars Boilesen	CEO	164	-	119	283	-	0.02
		174	18	119	311		

[1] Audun Wickstrand Iversen holds 50,000 shares through Naben AS, 100% owned by Iversen.
[2] Marianne Blystad holds a total of 10 000 shares and, with family, owns 100% of the shares in the investment company Spencer Trading Inc, which holds 100,000 shares.

Shares, options and RSUs owned by other members of Executive Management as of December 31, 2016
[In thousands of shares, options amd RSUs]

	Title	Shares	Options	RSUs	Total	Weighted average strike price - options (NOK)	Weighted average strike price - RSUs (NOK)
Will Kassoy	CEO, AdColony	188	-	333	522	-	0.02
		188	-	333	522		

NOTE 4

OTHER OPERATING EXPENSES

Other expenses *[USD million]*	2017	2016
Rent and other office expenses	(9.2)	(9.7)
Purchase of equipment, not capitalized	(4.6)	(4.3)
Audit, legal and other advisory services	(7.1)	(6.2)
Marketing expenses	(7.3)	(5.9)
Travel expenses	(4.7)	(4.9)
Hosting expenses, excl. depreciation cost	(21.1)	(22.8)
Bad debt expenses	(5.0)	(5.0)
Other expenses [1]	(5.8)	(8.3)
Total	**(64.8)**	**(67.2)**

[1] Other expenses comprises $2.5 million (2016: 2.6) in client-related expenses.

Auditor remuneration
Otello Corporation ASA changed its Group auditor from KPMG to PWC in 2017.
The following table shows fees to PWC and KPMG for 2017 and KPMG for 2016. For all categories the reported fee is the recognized expense in other operating expenses for the year.

Remuneration to the statutory auditors *[USD million]*	2017	2016
Statutory audit	(0.8)	(0.5)
Other certification services	(0.1)	(0.5) [1]
Tax-related advice	0.0	0.0
Other services	0.0	0.0
Total	**(0.8)**	(1.0)

[1] Other certification services in 2016 include $0.5 million recognized in discontinued operations.

NOTE 5

FINANCIAL AND LIQUIDITY RISK

Currency 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. These effects are not specified in the table below.

	2017		2016	
The following table shows the breakdown of revenue generation per currency: *[USD million]*	**$ million**	**%**	**$ million**	**%**
USD	334.2	79.7%	444.1	83.4%
BRL	41.3	9.9%	40.4	7.6%
TRY	12.3	2.9%	9.8	1.9%
EUR	5.8	1.4%	6.7	1.3%
GBP	5.1	1.2%	11.7	2.2%
Other	20.2	4.8%	19.4	3.6%
Total	**419.0**		532.2	

	2017		2016	
The following table shows the breakdown of operating expenses per currency: *[USD million]*	**$ million**	**%**	**$ million**	**%**
USD	(356.9)	79.2%	(409.8)	75.6%
BRL	(26.4)	5.9%	(29.2)	5.4%
GBP	(13.1)	2.9%	(25.7)	4.8%
TRY	(11.9)	2.6%	(11.7)	2.2%
EUR	(11.6)	2.6%	(24.7)	4.6%
NOK	(10.5)	2.3%	(10.6)	2.0%
Other	(20.6)	4.6%	(26.5)	5.7%
Total	**(450.9)**		(538.1)	

Conversion of the Group's revenues from foreign currencies into USD yields the following average exchange rates:

	2017	2016
BRL	0.3134	0.2883
TRY	0.2745	0.3318
EUR	1.1296	1.1069
GBP	1.2884	1.3555

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

[USD million]	Recalculated with prior year average rates	FX effect using prior year rates	Effect in %
Revenue	418.0	(1.1)	-0.3%
Expenses	(453.1)	(2.2)	0.5%

The unrealized foreign exchange gain (loss) is estimated as the difference between exchange rates. These numbers are shown in the table below.

Realized / Unrealized FX gain (loss) *[USD million]*	2017	2016
Realized FX gain (loss)	(6.3)	(9.5)
Unrealized FX gain (loss)	(4.6)	21.8
Net FX gain (loss)	**(10.9)**	12.3

Foreign exchange contracts
During 2017 and 2016, the Group did not use forward exchange contracts to hedge its currency risk, and Otello had not entered into any foreign exchange contracts as of December 31, 2017.

The distribution per currency of gross accounts receivables, as of December 31, is presented in the table below:

The numbers below are presented in local currencies (million)

	2017	% of gross AR	2016	% of gross AR
USD	62.8	68.3%	89.5	75.5%
BRL	19.7	6.5%	21.1	5.5%
TRY	26.1	7.5%	18.7	4.5%
GBP	2.1	3.1%	3.4	3.6%
Other	n/a	14.6%	n/a	11.0%

The accounts receivables are converted, as of December 31, at the following exchange rates:

	2017	2016
BRL	0.3019	0.3072
TRY	0.2642	0.2838
GBP	1.3493	1.2341

Credit risk
Credit risk is the loss that the Group would suffer if a counterparty fails to perform its financial obligations.
The Group's exposure to credit risk is mainly related to external receivables. Credit risk is assessed for each specific customer.
No single customer accounted for more then 10% of the Group's revenue during the financial year.
Further, the Group conducts much of its business with large global companies and has not experienced significant credit-related losses during this or previous financial years. Therefore, no further credit risk provision is considered to be required in excess of the normal provision for bad and doubtful receivables.

No customers have committed any collateral or other means to secure their outstanding debt.

The following shows the breakdown of gross accounts receivable per region:

[USD million]	2017	2016
EMEA	26.4	28.5
Americas	51.5	71.0
Asia Pacific	14.0	19.1
Total	**92.0**	118.5

Gross accounts receivable, as of December 31, by age, are as follows:

[USD million]	2017 Gross receivables	2017 Provision for bad debt	2016 Gross receivables	2016 Provision for bad debt
Not past due	29.7	(1.5)	35.6	(0.1)
Past due 0-30 days	22.3	(0.1)	31.5	(0.1)
Past due 31-60 days	10.9	(0.0)	14.2	(0.1)
Past due 61-90 days	6.9	(5.6)	7.2	(0.1)
More than 90 days	22.2	(5.7)	28.6	(10.6)
Total	**92.0**	**(12.9)**	117.1	(10.9)

Accounts receivables and other receivables

[USD million]	2017	2016
Accounts receivable (including provision for bad debt)	79.1	106.2
Unbilled revenue	32.4	48.4
Other receivables	13.9	28.0
Total	**125.4**	182.6

Accounts receivable represent the part of receivables that is invoiced to customers but not yet paid. Unbilled revenue is revenue recognized in the year which was not invoiced to the customers at year end and which will be invoiced to customers subsequent to the balance sheet date.

Other receivables consists of non-trade receivables including a loan of $5.0 million to Vewd Software AS (formerly Opera TV, escrow payments and prepayments related to acquisitions. As of December 31, 2017, $5.7 million consisted of escrow payments related to sale of the SurfEasy business, $1.0 million (2016: 5.4) was related to escrow payments in connection with acquisitions.

Liquidity risk

Liquidity reserve *[USD million]*	2017	2016
Cash and cash equivalents		
Cash in hand and on deposit	86.0	219.5
Less restricted funds [1]	1.7	4.2
Unrestricted cash	**84.3**	215.3
Unutilized credit facilities	50.0	50.0
Short-term overdraft facility	-	-
Liquidity reserve	**50.0**	50.0

[1] Cash and cash equivalents of $1.7 (2016: $4.2) million were restricted assets as of December 31, 2017.

Breakdown of cash deposits by currency *[USD million]*	2017	2016
USD	40.6	139.4
NOK	26.6	67.2
BRL	5.7	9.7
EUR	3.8	(4.6)
TRY	0.3	0.3
GBP	0.1	1.3
Other	8.9	6.2
Total	**86.0**	219.5

Credit Facility *[USD million]*	2017	2016
Long-term cash credit	50.0	150.0
Utilized	-	100.0
Short-term overdraft facility	-	-
Utilized	-	-

Credit facility
In November 2016, Otello signed an agreement with DNB Bank ASA for a secured credit facility of $150 million (of which $100 million is a term loan and $50 million is a Revolving Credit Facility). In 2017, Otello paid down the outstanding term loan of $100 million. As at December 31, 2017, the term loan is repaid and the revolving facility is undrawn.

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 accounts 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 December 31, 2017.

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.

Financial liabilities
All financial liabilities other than the credit facility (described above), and liabilities relating to contingent considerations (see note 11) are expected to be paid within 1 year of the balance sheet date.

Deferred revenue
Deferred revenue consists of prepaid license/royalty payments, prepaid maintenance and support, prepaid development fees and prepaid campaigns. Of the Group's total current liabilities, $5.8 million (2016: 7.9) relates to deferred revenue, of which $0.2 million (2016: 3.1) has been prepaid.

Capital management
The Group's policy has been to maintain a high equity-to-asset ratio and to maintain a solid capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group still possesses a business model that anticipates considerable cash flow in the future.

In 2017, the Board of Directors has used its authorization to purchase treasury shares. Please see note 10 for more information.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements

Cash pool agreement
The Group has terminated its cash pool agreement in 2017.

Finance lease liabilities
The Group did not lease any assets during 2017, and has no such liabilities as at 31 December 2017.

NOTE 6

TAX

[USD million]	2017	2016
Income tax expense recognized in the statement of comprehensive income:		
Current tax	(8.8)	(3.8)
Changes in deferred taxes	5.2	(0.6)
Changes in deferred tax related to amortization of excess values from business combinations	7.1	9.5
Changes in deferred tax related to changes in tax rates 1)	(6.4)	0.0
Withholding tax expense	(1.1)	(1.6)
Income tax expense	(4.0)	3.5
Income tax expense discontinued operations	(0.1)	8.5

[1] Primarily the change in the federal tax rate in the US from 35% to 21% as from January 1, 2018.

Recognized deferred tax assets and liabilities:
Deferred tax balances presented in the statement of financial position comprise the following:

[USD million]	2017	2016
Deferred tax assets related to tax loss carryforwards	16.6	11.8
Deferred tax assets related to temporary differences	4.2	13.3
Deferred tax liabilities related to amortizable excess value from business combinations in the US	(4.4)	(12.9)
Deferred tax liabilities related to amortizable excess value from business combinations outside the US	(5.8)	(9.2)
Net deferred assets (liabilities)	**10.6**	3.0

All US entities are included in a US consolidated tax group. In the statement of financial position, deferred tax liabilities related to amortizable excess value from business combinations in the US are netted against deferred tax assets in the same US tax group.

Otello recognizes deferred tax assets related to tax losses in the statement of financial position when it is considered probable that taxable profit will be generated in future periods against which these tax loss carry forwards can be utilized. The main part of the recognized tax asset is related to tax loss carry forward in the US. It is management's opinion that future taxable profit is probable. However, the majority of tax loss carry forwards in Norway have not been recognized, since it is not deemed probable that sufficient future taxable profits will be generated against which these can be utilized.

In the tables below, the set off tax (or valuation allowance) is the amount recognized that reduces the tax loss carryforwards in the US for the portion that it is more likely than not to not be utilized in future periods. These amounts relate to the acquired losses from certain business combinations that will most likely not be able to be utilized due to rules limiting the amount of acquired losses a parent company can utilize.

Deferred tax assets (liabilities) and changes during the year *[USD million]*	Balance 1/1/17	Posted to statement of comprehensive income	Posted directly to discontinued operations	Disposals to discontinued operations	Balance 12/31/17
Property, plant and equipment	(4.4)	1.9	-	-	(2.5)
Intangible assets	14.2	(5.8)	-	-	8.5
Accounts receivable	0.9	(0.3)	-	-	0.5
Payroll tax on share options	(5.7)	0.8	0.3		(4.6)
Provisions and accruals	3.9	(2.5)	-	0.1	1.5
Other	4.4	(3.7)	-	-	0.8
Total	13.3	(9.6)	0.3	0.1	**4.2**
Deferred tax liabilities related to amortizable excess value from business combinations	(22.1)	11.0	-	0.9	(10.2)
Tax loss carryforwards	16.9	8.5	(0.4)	-	25.0
Set off of tax (valuation allowance)	(5.1)	(0.7)	-	-	(5.8)
Tax loss carryforwards not recognized in the statement of financial position	-	(2.7)	-	-	(2.7)
Tax loss carryforwards recognized in the statement of financial position	11.8	5.1	(0.4)	-	16.6
Net deferred tax assets (liabilities) recognized in the statement of financial position	3.0	6.6	(0.1)	1.1	10.6

[USD million]	Balance 1/1/16	Posted to statement of comprehensive income	Posted directly to the equity	Disposals to discontinued operations	Balance 12/31/16
Property, plant and equipment	(0.3)	(4.1)	-	-	(4.4)
Intangible assets	10.5	3.8	-	-	14.2
Accounts receivable	2.8	(1.9)	-	-	0.9
Payroll tax on share options	(3.0)	(3.2)	0.5	-	(5.7)
Provisions and accruals	4.2	(0.3)	-	-	3.9
Other	15.5	(2.6)	-	(8.4)	4.4
Total	29.5	(8.3)	0.5	(8.4)	**13.3**
Deferred tax liabilities related to amortizable excess value from business combinations	(32.5)	9.5	-	0.9	(22.1)
Tax loss carryforwards	22.0	5.8	-	(10.9)	16.9
Set off of tax (valuation allowance)	(5.3)	0.2	-	-	(5.1)
Tax loss carryforwards recognized in the statement of financial position	16.8	6.0	-	(10.9)	11.8
Net deferred tax assets (liabilities) recognized in the statement of financial position	13.8	7.1	0.5	(18.5)	**3.0**

Change in deferred tax asset directly posted against the equity capital *[USD million]*	2017	2016
Other changes	(0.1)	0.5
Total deferred taxes posted directly against the equity	**(0.1)**	0.5

The Group's tax loss carryforwards expire as follows:

[USD million]	United States	Norway	Other	Total
2031	2.9	-	-	2.9
2032	4.6	-	-	4.6
2033	1.9	-	-	1.9
2034	-	-	-	0.0
2035	-	-	-	0.0
2036	11.6	-	-	11.6
2037	35.2	-	-	35.2
No expiration deadline	-	15.9	0.7	16.6
Total	56.2	15.9	0.7	**72.8**

Reconciliation of effective tax rate *[USD million]*		2017		2016
Profit (loss) before tax		(48.7)		(66.6)
Income tax using the corporate income tax rate in Norway (24%/25%)	24.0 %	11.7	25.0 %	16.7
Effect of changes in tax rates 1)	13.1 %	(6.4)	0.0 %	0.0
Effect of tax rates outside Norway different from 24/25%	-6.9 %	3.4	-4.5 %	3.0
Effect of non-taxable and non-deductible items	21.4 %	(10.4)	24.2 %	(16.1)
Deferred tax assets from previously unrecognized tax losses	2.2 %	(1.1)	0.0 %	(0.0)
Other effects	2.6 %	(1.3)	-	-
Total tax expense for the year	8.2 %	**(4.0)**	-5.3 %	3.5

[1] Primarily the change in the federal tax rate in the US from 35% to 21% as from January 1, 2018.

Permanent differences
Permanent differences include non-deductable costs and share-based remuneration.

NOTE 7

PROPERTY, PLANT AND EQUIPMENT

[USD million]	Fixtures and fittings	Machinery and equip-ment	Leasehold im-provements	2017 Total
Acquisition cost				
Acquisition cost as of 1/1/17	1.8	11.6	1.7	15.1
Additions	0.5	9.1	0.5	10.1
Discontinued operations	(0.0)	(0.2)	(0.0)	(0.2)
Transfer of assets to discontinued operations	-	-	-	-
Disposal	(0.0)	(0.3)	(0.2)	(0.5)
Translation differences	(0.2)	0.3	0.1	0.2
Acquisition cost as of 12/31/17	2.1	20.5	2.1	**24.8**
Depreciation and impairment losses as of 1/1/17	(0.5)	(5.8)	(0.8)	(7.1)
Discontinued operations	0.0	0.1	0.0	0.1
Transfer of assets to discontinued operations	-	-	-	-
Depreciation and impairment losses	(0.4)	(6.1)	(0.1)	(6.6)
Disposal	0.0	0.2	0.0	0.2
Translation differences	(0.2)	(0.1)	0.3	(0.0)
Accumulated depreciation and impairment losses as of 12/31/17	(1.1)	(11.7)	(0.6)	**(13.3)**
Net book value as of 12/31/17	1.0	8.9	1.5	**11.4**
Depreciation for the year	(0.4)	(6.1)	(0.1)	(6.6)
Impairment losses for the year	-	-	-	-
Depreciation and impairment losses from discontinued operations, this year				
Useful life	Up to 6 years	Up to 10 years	Up to 5 years	
Depreciation plan	Linear	Linear	Linear	

[USD million]	Fixtures and fittings	Machinery and equip-ment	Leasehold im-provements	2016 Total
Acquisition cost				
Acquisition cost as of 1/1/16	3.5	56.9	2.3	62.8
Additions	1.4	9.4	0.8	11.5
Discontinued operations	(3.0)	(50.0)	(1.2)	(54.2)
Transfer of assets to discontinued operations	-	(0.0)	(0.0)	(0.1)
Disposal	(0.1)	(6.3)	(0.0)	(6.5)
Translation differences	0.1	1.6	(0.2)	1.6
Acquisition cost as of 12/31/16	1.8	11.6	1.7	**15.1**
Depreciation and impairment losses as of 1/1/16	(1.0)	(33.2)	(1.0)	(35.3)
Discontinued operations	0.6	30.1	0.5	31.2
Transfer of assets to discontinued operations	-	0.0	0.0	0.1
Depreciation and impairment losses	(0.2)	(1.3)	(0.3)	(1.8)
Disposal	0.1	0.9	-	1.0
Translation differences	(0.0)	(2.3)	0.1	(2.2)
Accumulated depreciation and impairment losses as of 12/31/16	(0.5)	(5.8)	(0.8)	**(7.1)**
Net book value as of 12/31/16	1.3	5.8	0.9	**8.1**
Depreciation for the year	(0.2)	(1.3)	(0.3)	(1.8)
Impairment losses for the year	-	-	-	-
Depreciation and impairment losses from discontinued operations, this year	(0.4)	(7.4)	(0.2)	(7.9)
Useful life	Up to 6 years	Up to 10 years	Up to 5 years	
Depreciation plan	Linear	Linear	Linear	

The lease agreements, according to IAS 17, are considered to be operating leases.

[USD million]	2017	2016
Leasing costs expensed	6.2	6.4

Non-terminable operating leases due in:	**2017**	**2016**
Less than one year	1.0	4.5
Between one to five years [1]	16.1	9.8
More than five years [2]	1.8	0.1
Total	**18.8**	14.3

[1] Primarily office leases of AdColony's offices in Los Angeles, New York, San Fransisco and Seattle.

[2] Office leases of AdColony's offices in Los Angeles.

NOTE 8

GOODWILL AND IMPAIRMENT TESTING

Goodwill [USD million]	AdColony	Bemobi	Handster	Other [1]	Total
Acquisition cost					
Acquisition cost as of 1/1/17	274.2	59.9	6.7	88.3	429.1
Acquisitions through business combinations	1.0	-	-	-	1.0
FX adjustment	0.9	(1.0)	-	-	(0.2)
Acquisition cost as of 12/31/17	**276.0**	**58.8**	**6.7**	**88.3**	**429.9**
Accumulated impairment losses					
Accumulated impairment losses as of 1/1/17	15.9	-	3.1	87.9	106.9
Impairment losses	-	-	-	-	0.0
FX adjustment	-	-	-	-	0.0
Derecognized on disposal of Disc. Operations	-	-	-	0.4	0.4
Accumulated impairment losses as of 12/31/17	**15.9**	**0.0**	**3.1**	**88.3**	**107.3**
Carrying amount					
As of December 31 2017	**260.2**	**58.8**	**3.6**	**-**	**322.6**

[1] "Other" comprises goodwill from the Consumer and TV businesses sold by the Group in 2016, the SurfEasy business sold by the Group in 2017, and the Skyfire business that is part of Continued operations.

See impairment testing below for further information regarding CGUs.

[USD million]	Other 1)	AdMarvel	Mobile Theory	4th Screen Advertising	Handster	Hunt	Apprupt	AdColony	Advine	Mobilike	Bemobi	Adquota	Total
Acquisition cost													
Acquisition cost as of 1/1/16	88.0	13.2	34.4	10.6	6.7	5.6	8.5	199.0	0.5	4.1	49.2	0.7	420.7
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
FX adjustment	0.3	-	-	(1.8)	-	0.1	(0.3)	-	0.1	(0.7)	10.7	(0.0)	8.4
Acquisition cost as of 12/31/16	**88.3**	**13.2**	**34.4**	**8.9**	**6.7**	**5.8**	**8.2**	**199.0**	**0.6**	**3.4**	**59.9**	**0.7**	**429.1**
Accumulated impairment losses													
Accumulated impairment losses as of 1/1/16	31.0	-	-	-	-	-	-	-	-	-	-	-	31.0
Impairment losses	(0.1)	-	-	9.0	3.1	5.9	-	-	0.6	-	-	0.7	19.0
FX adjustment	1.3	-	-	(0.1)	-	(0.1)	-	-	0.0	-	-	(0.0)	1.1
Derecognized on disposal of Disc. Operations	55.8	-	-	-	-	-	-	-	-	-	-	-	55.8
Accumulated impairment losses as of 12/31/16	**87.9**	**-**	**-**	**8.9**	**3.1**	**5.8**	**0.0**	**0.0**	**0.6**	**0.0**	**0.0**	**0.7**	**106.9**
Carrying amount													
As of December 31 2016	**0.4**	**13.2**	**34.4**	**0.0**	**3.6**	**0.0**	**8.2**	**199.0**	**-**	**3.4**	**59.9**	**-**	**322.2**

Impairment testing
Otello has carried out impairment testing as of December 31, 2017, according to IAS 36. Based on the impairment testing, the Group has not recognized impairment losses in 2017.

Cash-generating units
Goodwill acquired through business combinations has previously been allocated to individual cash-generating units as presented in the in the 2016 Annual report. As of December 31, 2017, management has considered it appropriate to test the AdColony segment as one, single cash-generating unit. This is due to the integration of all global AdColony entities on to a single platform, with common, global leadership, with the result being that cash flows from AdColony entities are not independent of each other.

The Bemobi LATAM business and the Handster (Apps & Games legacy) business are treated as separate CGUs as previously.

Recoverable amount
The recoverable amount of assets is the higher of value in use and fair value less cost of disposal. For AdColony and Bemobi (LATAM) CGUs, discounted cash flow models are applied to determine the value in use for these cash-generating units. Management has projected cash flows based on financial forecasts and strategy plans covering a three year period. Beyond the explicit forecast period, the cash flows are extrapolated using constant nominal growth rates. The estimates of value in use have been compared to market valuation for reasonableness. For the Apps & Games (Legacy) business CGU, the recoverable amount has been calculated by determining fair value less costs of disposal, since this business was sold within the Group during 2017 in an arms-length transaction.

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

	AdColony	Bemobi (LATAM)
Revenue growth (average) [1]	21.5 %	10.0 %
EBITDA Margin growth (average) [2]	3.8 points	0.8 points
Discount rate after tax	10.3 %	19.4 %
Discount rate before tax	16.0 %	29.9 %
Nominal growth rate in terminal value	2.5 %	2.5 %

[1] Represents the compound annual growth rate during 2018-2020 (until the terminal year).

[2] Represents the average percentage point increase in EBITDA margin during 2018-2020.

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

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

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

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

Sensitivity analysis

AdColony CGU:
Goodwill and intangible assets relating to the AdColony business represents approximately 79% of the total recognized goodwill and intangible assets in the Group as a whole. For this CGU the following changes in forecasts and key assumptions, in isolation, would result in the value in use amount being approximately equal to the carrying amount. Any changes beyond those described below may, therefore, lead to an impairment loss:

- Increase in 60 basis points in the discount rate after tax
- Decrease in 8% in projected future cash flows for the 3 year forecast period
- Decrease in the nominal growth rate in the terminal value by 0.7 percentage points

Bemobi (LATAM) CGU:
Goodwill and intangible assets relating to the Bemobi business represents approximately 20% of the total recognized goodwill and intangible assets in the Group as a whole. For this CGU, the following changes in forecasts and key assumptions, in isolation, would result in the value in use amount being approximately equal to the carrying amount. Any changes beyond those described below may, therefore, lead to an impairment loss:

- Increase in 700 basis points in the discount rate after tax
- Decrease in 30% in projected future cash flows for the 3 year forecast period
- Decrease in the nominal growth rate in the terminal value by 2 percentage points

NOTE 9

OTHER INTANGIBLE ASSETS

[USD million]	Development	Other intangible assets	2017 Total
Acquisition cost as of 1/1/17	29.2	172.1	201.3
Additions	15.0	3.4	18.4
Discontinued operations	(2.8)	(4.7)	(7.4)
Reclassification	-	(3.0)	(3.0)
Disposal	-	(3.7)	(3.7)
Translation differences	0.0	(0.1)	(0.0)
Acquisition cost as of 12/31/17	41.5	164.0	**205.5**
Depreciation and impairment losses as of 1/1/17	(12.7)	(105.1)	(117.8)
Discontinued operations	0.7	2.7	3.3
Depreciation and impairment losses	(10.2)	(21.9)	(32.1)
Disposal	-	0.3	0.3
Translation differences	0.0	0.3	0.3
Accumulated depreciation and impairment losses as of 12/31/17	(22.2)	(123.7)	**(145.9)**
Net book value as of 12/31/17	19.2	40.3	**59.6**
Depreciation for the year	(8.9)	(21.9)	(30.8)
Impairment losses for the year	-	-	0.0
Depreciation and impairment losses from discontinued operations, this year	(1.2)	-	(1.2)
Useful life	Up to 3 years	Up to 7 years	
Depreciation plan	Linear	Linear	

[USD million]	Development	Other intangible assets	2016 Total
Acquisition cost as of 1/1/16	32.3	195.1	227.4
Additions	19.2	3.3	22.4
Discontinued operations	(22.2)	(29.5)	(51.7)
Disposal	(0.5)	(0.1)	(0.6)
Translation differences	0.4	3.3	3.8
Acquisition cost as of 12/31/16	29.2	172.1	**201.3**
Depreciation and impairment losses as of 1/1/16	(11.0)	(86.4)	(97.4)
Discontinued operations	5.3	18.9	24.1
Depreciation and impairment losses	(8.0)	(37.2)	(45.1)
Disposal	-	0.0	0.0
Translation differences	1.1	(0.5)	0.6
Accumulated depreciation and impairment losses as of 12/31/16	(12.7)	(105.1)	**(117.8)**
Net book value as of 12/31/16	16.5	67.0	**83.5**
Depreciation for the year	(6.4)	(37.1)	(43.5)
Impairment losses for the year	(1.5)	(0.1)	(1.6)
Depreciation and impairment losses from discontinued operations, this year	(4.2)	(0.8)	(5.0)
Useful life	Up to 3 years	Up to 7 years	

Development is internally developed intagible asset.

Research and development costs
Engineering salaries are the primary expense incurred in terms of costs related to source code research, development, and maintenance. In 2017, $19.9 million (2016: 26.9) in engineering salaries were expensed in the financial statement. $15.0 million (2016: 19.2) in research and development costs were capitalized in 2017, of which, $1.5 million (2016: 6.0) relates to discontinued operations.

For additional information on capitalized R&D costs, see note 13.

NOTE 10

SHARES AND SHAREHOLDER INFORMATION

As of December 31, 2017, Otello had a share capital of NOK 2 989 548.58 divided into 149 477 429 ordinary shares with a nominal value of NOK 0.02 each. All ordinary shares have equal voting rights and the right to receive dividends.

During 2017 and in accordance with the authorization given by the Company's Annual General Meeting on June 2, 2017, the Board of Directors of Otello Corporation ASA (the "Company") decided to carry out a share buyback program of up to a face value of NOK 298 954, corresponding to up to approximately 10% of the issued shares in the Company. The shares purchased through the share buyback program may be disposed of to meet obligations under employee incentive schemes, as part of consideration payable for acquisitions made by the Company, as part of consideration for any mergers, demergers or acquisitions involving the Company, to raise funds for specific investments, for the purpose of paying down loans, or in order to strengthen the Company's capital base.

The above authorization is valid until and including June 30, 2018.

During 2017, the Group purchased 7 142 206 (2016: 1 383 178) treasury shares for $27.5 million (2016: 6.7 million) and sold 443,205 (2016: 0) treasury shares.

As of December 31, 2017, the Group owned 8 462 763 treasury shares (December 31, 2016: 1 763 762).

During 2017, Otello issued 0 (2016: 3 841 344) ordinary shares related to the incentive program, 0 (2016: 0) ordinary shares related to business combinations, and 0 (2016: 0) ordinary shares related to an equity increase.

Dividends
Otello did not pay a dividend in 2017.

In 2016, Otello paid out ordinary dividends of NOK 15 per share, around NOK 2.2 billion in total (approximately $260.6 million). The dividend was paid to those who were shareholders at end of trading on December 15, 2016, and the shares traded exclusive of dividend rights as of December 16, 2016.

The Board of Directors proposes that the 2018 Annual General Meeting does not approve any dividend payment.

Ownership structure
The 20 largest shareholders of Otello Corporation ASA shares as of December 31, 2017, were as follows:

[In thousands of shares]	2017 Shares	2017 Owner's and voting share %	2016 Owner's and voting share %
FOLKETRYGDFONDET	13 533	9.05%	10.05%
LUDVIG LORENTZEN AS	12 000	8.03%	8.03%
SUNDT AS	8 801	5.89%	5.69%
OTELLO CORPORATION ASA	8 396	5.62%	1.13%
AREPO AS	7 437	4.98%	4.98%
FERD AS	6 803	4.55%	5.25%
VERDIPAPIRFONDET DNB NORGE (IV)	6 090	4.07%	2.42%
DEUTSCHE BANK AKTIEN	5 164	3.45%	0.67%
LAZARD FRÈRES BANQUE	4 204	2.81%	2.71%
VPF NORDEA NORGE VERDI	4 024	2.69%	1.58%
GEVERAN TRADING CO LTD	3 993	2.67%	2.63%
VERDIPAPIRFONDET DNB TEKNOLOGI	3 452	2.31%	21.14%
GOLDMAN SACHS INTERNATIONAL	2 776	1.86%	0.86%
J.P. MORGAN BANK LUXEMBOURG	2 381	1.59%	0.14%
VPF NORDEA KAPITAL	2 001	1.34%	1.41%
SOCIETE GENERALE PARIS	1 934	1.29%	0.07%
THE BANK OF NEW YORK MELLON N.V.	1 908	1.28%	1.37%
STOREBRAND NORGE I VERDIPAPIRFOND	1 845	1.23%	0.95%
CACEIS BANK LUXEMBOURG	1 814	1.21%	0.65%
J.P. MORGAN CHASE BANK	1 647	1.10%	0.84%
Sum	100 204	67.04%	72.57%
Other shareholders	49 273	32.96%	32.96%
Total numbers of shares	**149 477**	**100.00%**	**105.53%**

NOTE 11

CONTINGENT LIABILITIES AND PROVISIONS

Valuation techniques and significant unobservable inputs
The following tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	Discounted cash flows The valuation model calculates the net present value of expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the possible scenarios where Otello has forecast future revenue and EBITDA, the amount to be paid under each scenario and the probability of each scenario.	*Forecasted annual and half-yearly revenue *Forecasted EBITDA *Risk-adjusted discount rate	The estimated fair value would increase (decrease) if: *The annual and half-yearly revenue growth rate were higher (lower), * The EBITDA margin were higher (lower); or * The risk-adjusted discount rate were lower (higher) Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.

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.

[USD million]	Note	Contingent consideration
Balance (net present value) as of 1/1/2016		203.6
Assumed in a business combination	8	-
Paid	8	(169.0)
Finance cost	8	31.0
Translation differences	8	14.1
OCI	8	-
Balance (net present value) as of 12/31/2016		**79.7**
Assumed in a business combination	8	-
Paid	8	(31.8)
Finance cost	8	5.2
Translation differences	8	0.8
OCI	8	-
Balance (net present value) as of 12/31/2017		**53.9**
Non-current consideration		28.5
Current consideration		25.4
Balance (net present value) as of 12/31/2017		**53.9**

Earnout payments made in 2016

[USD million]	AdColony	Bemobi	Individually immaterial	Total
With cash flow effect				
Q1	109.6	4.1	0.8	114.6
Q2	-	-	6.5	6.5
Q3	-	5.2	9.4	14.6
Q4	15.2	-	-	15.2
Total	124.9	9.2	16.8	**150.9**

With no cash flow effect (released from escrow)				
Q1	-	-	4.1	4.1
Q2	-	-	0.5	0.5
Q3	-	10.0	-	10.0
Q4	-	3.5	-	3.5
Total	-	13.5	4.6	18.1

Earnout payments made in 2017

[USD million]	AdColony	Bemobi	Individually immaterial	Total
With cash flow effect				
Q1	3.1	9.1	-	12.2
Q2	-	1.8	5.6	7.3
Q3	-	8.9	-	8.9
Q4	-	-	-	-
Total	3.1	19.8	5.6	**28.4**

With no cash flow effect (released from escrow)				
Q1	-	-	2.4	2.4
Q2	-	-	1.0	1.0
Q3	-	-	-	-
Q4	-	-	-	-
Total			3.4	3.4

Amounts held in escrow are recognized as other receivables in the statement of financial position.

Estimated payments

[USD million]	Bemobi	Individually immaterial	Total
Apr-18	10.9	5.6	16.5
Sep-18	10.4	-	10.4
Apr-19	13.0	-	13.0
Sep-19	12.6	-	12.6
Apr-20	9.8	-	9.8
Total	56.6	5.6	**62.2**

The table above shows the estimated future payments. The expected future payments are estimated by considering the possible scenarios of forecast revenue and EBIT, 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	21.2	5.6	26.8
Sep-18	10.4	-	10.4
Apr-19	17.9	-	17.9
Sep-19	13.0	-	13.0
Apr-20	4.9	-	4.9
Total	67.5	5.6	**73.1**

Bemobi earnout amendment
In 2016, Otello signed an amendment to the earnout agreement with the former shareholders of Bemobi. The amendment adjusts the "Synergy Earnout" part of the original agreement to more comprehensively cover the entire international Bemobi (Apps & Games) business, as opposed to limiting it only to the "Synergy Revenue (revenue from Bemobi subscription offering outside of LATAM) and EBITDA", and to expand it through 2019. This is now referred to as the "International Earnout". No change has been made to the "Standalone (LATAM)" portion of the Earnout. The maximum achievement for the International Earnout remains at $18 million as per the original agreement. The International Earnout is calculated and paid on an annual, calendar year, basis. The background for this amendment was that Otello and the former shareholders of Bemobi agreed that it makes commercial sense to adjust the original Synergy Earnout to more comprehensively cover the international (outside LATAM) part of the Bemobi (Apps & Games) business, and to expand it through 2019. The former shareholders will be incentivized to further the success of the entire Bemobi (Apps & Games) business rather than simply the Bemobi LATAM subscription offering. The maximum contractual remaining payment for the total earnout as at December 31, 2017, is $67.5 million. Contractual maximum payments are calculated by presenting the maximum payment for each year limited by an overall cap for 2019.

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]	AdColony	Bemobi	Individually immaterial
Discount rate (increase by 200 basis points)	N/A	(1.2)	N/A
Discount rate (decrease by 200 basis points)	N/A	1.2	N/A
Revenue (20% increase)	N/A	2.7	N/A
Revenue (20% decrease)	N/A	(5.0)	N/A
Revenue (10% increase)	N/A	1.4	N/A
Revenue (10% decrease)	N/A	(1.4)	N/A
EBITDA (10% increase)	N/A	0.3	N/A
EBITDA (10% decrease)	N/A	(0.3)	N/A
EBITDA (5% increase)	N/A	0.2	N/A
EBITDA (5% decrease)	N/A	(0.2)	N/A

Effect on Estimated payments

[USD million]	AdColony	Bemobi	Individually immaterial
Discount rate (increase by 200 basis points)	N/A	N/A	N/A
Discount rate (decrease by 200 basis points)	N/A	N/A	N/A
Revenue (20% increase)	N/A	3.4	N/A
Revenue (20% decrease)	N/A	(5.8)	N/A
Revenue (10% increase)	N/A	1.7	N/A
Revenue (10% decrease)	N/A	(1.7)	N/A
EBITDA (10% increase)	N/A	0.4	N/A
EBITDA (10% decrease)	N/A	(0.4)	N/A
EBITDA (5% increase)	N/A	0.2	N/A
EBITDA (5% decrease)	N/A	(0.2)	N/A

NOTE 12
RESTRUCTURING AND IMPAIRMENT EXPENSES

During 2017, 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]*	2017	2016
Salary restructuring expense	(10.0)	(4.5)
Option restructuring expense	5.2	0.2
Impairment expense	-	(19.8)
Legal fees related to business combinations	(1.2)	0.0
Other restructuring expenses	(0.1)	(0.1)
Total	**(14.2)**	(24.1)

See note 8 for further information regarding impairment expense.

NOTE 13
ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected within the next financial year.

Key sources of estimation uncertainty - critical accounting estimates
A critical accounting estimate is one which is both important to the presentation of the Group's financial position and results and requires management's most difficult, subjective or complex judgements, often as a result of the need to make important estimates based on assumptions about the outcome of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultations with experts, trends and other methods which management considers reasonable under the circumstances, as well as forecasts as to how these might change in the future.

Impairment, see note 8
In accordance with IAS 36, the Group tests annually whether goodwill has suffered any impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amounts of cash-generating units have been determined based on a value-in-use calculation for the most significant cash-generating units. For the smallest of the three cash-generating units, the recoverable amount has been calculated by determining fair value less costs of disposal, see note 8 for further information on recoverable amounts.

Value in use, particularly when discounted cash flow methods are used, must in part be based on management's evaluations, including determining appropriate cash-generating units, determining the discount rate, estimates of future performance, revenue generating capacity of the assets, margins, and assumptions of the future market conditions. For assumptions used, external evidence has been taken into consideration. Discount rates have been sourced from a third-party expert.

Management compares the estimates of value in use with the market valuation for reasonableness. In addition, a retrospective analysis of forecasts used in prior years is carried out in order to provide further input for the estimates that are made regarding future cash flows.

A sensitivity analysis for changes in key assumptions and whether they would lead to an impairment loss is included in note 8.

Provisions related to contingent considerations, see note 11
The Group has entered into earnout agreements in connection with acquisitions. An analysis is given in note 11 of how the provisions related to contingent considerations have been calculated. The net present value amount is based on managements' assumptions by discounting probability weighted cash flows. Key assumptions applied¨by management are future revenues and earnings before financial items, interest, taxes, depreciation and amortization (EBITDA) results, and revenue and EBITDA from synergies with existing businesses, and the estimated timing of cash flows. Changes in the chosen assumptions can have a significant impact on the size of the provision and earnout costs recognized.

The period of estimation for future revenues and EBITDA provisions is 2 years as at December 31, 2017. This is comparatively shorter than in 2016, and uncertainty is therefore somewhat reduced compared to the prior year. Management assesses the historical accuracy of forecasts by comparison of estimates to actual earnout payments made.

A sensitivity analysis for changes in key assumptions and how they would affect the net present value of the provision and estimated payments, is included in note 11.

Capitalized development costs, see note 9
Cost of building new features, together with significant and pervasive improvements of core platforms, provided that the significant and pervasive improvements of parts or main components of core platforms will generate probable future economic benefits, are capitalized as development costs and amortized on a straight-line, basis of up to 3 years.

On a quarterly basis, engineering work is assessed on a project basis. Projects are categorised as 1) those that have met the technological feasibility date but have not yet gone live 2) those that have launched and begun amortization, and 3) research/operations/maintenance projects. An allocation of a percentage of each employee's time across the various projects is made. Any new projects are assessed according to the criteria in IAS 38, and previously categorized projects are assessed in terms of changes in assumptions. Capitalized costs are calculated by using the time allocations made. These calculations are reviewed by management before being capitalized.

Some of the work that engineering employees perform is related to the implementation of the ongoing updates that are required to maintain the platforms' functionality. Examples of updates include "bug fixes", updates made to comply with changes in laws and regulations, and updates made to keep pace with the latest trends. These costs are expensed as maintenance expenses.

NOTE 14

RELATED PARTIES

In 2017, as in prior years, the Group made earnout payments to former shareholders of acquired companies. See note 11 for further information regarding earnout payments. Further, the Group entered into a loan agreement of $5 million with Vewd Software AS (formerly Opera TV AS). The Group holds a 27% equity interest in Last Lion Ltd, through preferred shares, which indirectly owns Vewd Software AS through Last Lion Holdco AS.

Apart from the above transactions, the Group did not engage in any related party transactions, including with any members of the Board of Directors or Executive Management.

Transactions with subsidiaries have been eliminated on consolidation and do not represent related party transactions.

Transactions with key management personnel
Members of the Board of Directors and Executive Management of the Group and their immediate relatives controlled 0.2% of the Group's voting share as per December 31, 2017. Otello has not provided any loans to Directors or Executive Management members as of December 31, 2017.

Compensation for Executive Managment and Board of Directors can be found in note 3.

Executive Management also participate in the Group's stock option and RSU program (see note 3).

NOTE 15

EARNINGS PER SHARE

Earning per share	**2017**	**2016**
Earnings (loss) per share (profit (loss)):		
Basic earnings (loss) per share (USD)	(0.25)	2.91
Diluted earnings (loss) per share (USD)	(0.25)	2.91
Shares used in earnings per share calculation	144 484 637	146 587 577
Shares used in earnings per share calculation, fully diluted	144 484 637	149 292 689
Earnings (loss) per share (continuing operations):		
Basic earnings (loss) per share (USD)	(0.46)	(0.42)
Diluted earnings (loss) per share (USD)	(0.46)	(0.41)
Shares used in earnings per share calculation	144 484 637	146 587 577
Shares used in earnings per share calculation, fully diluted	144 484 637	149 292 689

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted ordinary shares in issue during the period.

In periods with negative net income, the dilutive instruments will have an anti dilutive effect when calculating diluted earnings per share. For this reason, there is no difference between earnings per share and diluted earnings per share for these periods.

NOTE 16

DISCONTINUED OPERATIONS

Sale of SurfEasy business
Otello Corporation ASA entered November 6, 2017 into an agreement to sell its SurfEasy business to Symantec Corporation (NASDAQ: SYMC), 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 have therefore been fulfilled. 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% (approximately $5.7 million) will be held in escrow for up to 15 months, and is recognized in Other receivables in the statement of financial position. SurfEasy is excluded from Otello's financials as of November 6, 2017. Otello has recognized a gain of $21.6 million on the Transaction which will not be taxable.

Sale of Consumer business
On November 4, 2016, Opera announced that the transaction between Otello Corporation ASA and Golden Brick Capital Private Equity Fund I L.P. (the "Buyer") for the sale and purchase of Otello's consumer business for $575 million (the "Transaction") has been successfully closed. $38 million of the Transaction amount was held in escrow, and was released in subsequent installments in December 2016, following the completion of the reorganization of the Consumer Business. Otello recognized a gain of $439.7 million on the Transaction which is not taxable.

Sale of TV business
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"). Otello recognized a gain of $71.0 million on the Transaction which is not taxable. The gain on the sale of the Transaction includes a receivable for a net working capital adjustment as defined per the SPA.

Accordingly, the Surfeasy, Consumer and TV 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)*	**2017**	**2016**
Revenue	6.9	126.1
Operating expenses	(10.6)	(110.0)
Operating profit ("EBIT"), excluding restructuring costs	(3.7)	16.1
Restructuring costs	-	(15.8)
Operating profit ("EBIT")	(3.7)	0.3
Net financial items (loss)	(2.1)	(14.4)
Profit (loss) before income tax	(5.8)	(14.1)
Provision for taxes	0.1	(8.5)
Profit (loss) from discontinued operations, net of tax	(5.7)	(22.5)
Net (gain) loss from sale of discontinued operations, net of tax	36.4	510.7
Profit (loss) from discontinued operations	30.7	488.2

Earnings per share (discontinued operations):	**2017**	**2016**
Basic earnings (loss) per share (USD)	(0.04)	(0.15)
Diluted earnings (loss) per share (USD)	(0.04)	(0.15)
Shares used in earnings per share calculation	144 484 637	146 587 577
Shares used in earnings per share calculation, fully diluted	144 484 637	146 587 577

Cash flow information (discontinued operations):	**2017**	**2016**
Cash flow from operating activities	1.2	(38.3)
Cash flow from investment activities [1)]	32.1	601.9
Cash flow from financing activities	0.0	(5.0)

[1)] $22.2 million in 2016 is related to settlements between continued and discontinued operations in connection with the acquisition of the Consumer business.

Effect of disposal on the financial position of the Group
[USD million]

	2017	2016
Net asset and liabilities	0.2	132.9
Banker fees and other fees	(1.1)	(14.0)
Consideration put in escrow, estimated to be satisfied in cash	5.5	17.4
Estimated consideration, to be satisfied in cash (incl NWC adjustment)	32.1	640.3
Acquisition cost	-	-
Estimated net profit	36.4	510.7
Consideration received, satisfied in cash	35.1	640.3
Cash and cash equivalents disposed	1.3	22.2
Net cash inflows	33.8	618.1

NOTE 17

INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER SHARES

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"). In 2017, Opera TV changed its name to Vewd.

Information regarding Last Lion Holdings Ltd *[USD million]*	2017	2016
Revenue	43.6	32.8
EBIT	18.9	3.3
Net profit (loss)	3.7	6.5
Assets	127.3	129.1
Non-current liabilities	86.0	85.1
Current liabilities	9.3	9.6
Equity	32.0	34.5
Otello's share of equity	8.6	9.3

The numbers for 2017 reflects the restated and proforma numbers for the TV business before Last Lion Holdings Ltd acquired a majority stake in the TV business.

Investment in associate
The investment in Last Lion Holdings LTD is recognized using the equity method.
Otello has recognized the following amount as Other investments in the statement of financial position:

Carrying value *[USD million]*	2017	2016
At January 1	9.5	-
Investment during the financial year	-	9.6
FX adjustment	0.1	-
Adjustement from prior year	(1.4)	
Share of the profit (loss)	0.3	(0.1)
Elimination	-	-
Total at December 31	**8.6**	9.5

Other shares
Otello Corporation ASA owns 1.1% of the shares in Alliance Venture Spring AS and 0.3% of the shares in Zen Labs, Inc. The recognized value of the shares is $0.7 million. Management has not determined the fair value of these investments, as they are not material for the Group.

Alliance Venture Spring is a Norwegian venture capital firm investing in early stage technology companies.

Zen Labs is located in San Jose, California, and primarily operates in the computer software development and applications business.

NOTE 18

OTHER CURRENT LIABILITIES

[USD million]	2017	2016
Accruals for publisher invoices not yet received	29.5	42.0
Accrued operating expenses	12.6	10.5
Accrued bonuses, commission and other employee benefits	9.7	16.8
Accrued restructuring costs	7.4	-
Liabilities to entities in discontinued operations	4.1	1.5
Other current liabilities	1.9	6.9
Total	**65.2**	**77.7**

NOTE 19

EVENTS AFTER THE REPORTING PERIOD

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.

Seven weeks after signing the SPA, MFC's appointed directors on the Board have still not approved the proposed sale, despite Otello's good faith participation in a unnecessarily extended approval process run by a sub-committee of the Board.

Otello has therefore today filed a claim with the High Court of Justice in England and Wales against MFC and the Company asking for an injunction and expedited trial to compel the Company (acting through its Board) to give its immediate approval to the transaction. The proceedings have been served on both MFC and the Company.

We would add that until the Board has given its approval, Otello is unable to serve notice on the Company and MFC offering them the right of first refusal.

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 20 June 2018, no assurances can be given that such completion will take place.

Credit facility
Otello has signed a term sheet for a new 3 year Revolving Credit Facility (RCF) of $100 million with DNB. The terms of the new agreement will not be significantly different from the existing agreement.

PARENT COMPANY FINANCIAL STATEMENTS 2017 OTELLO CORPORATION ASA

STATEMENT OF
COMPREHENSIVE INCOME

USD million	Note	2017	2016
Revenue	2, 9	1.5	1.9
Total operating revenue		**1.5**	1.9
Cost of goods sold		0.0	(1.2)
Payroll and related expenses, excluding stock-based compensation expenses	3, 5	(3.9)	(4.6)
Stock-based compensation expenses	3	(1.3)	(0.9)
Depreciation, amortization, and impairment expenses	7	(0.7)	(1.4)
Other operating expenses	3, 4, 5, 7	(4.2)	(5.3)
Total operating expenses		**(10.1)**	(13.4)
Operating profit (loss)		**(8.6)**	(11.4)
Interest income	5, 9	2.8	3.3
Interest expenses	5, 9	(4.2)	(4.8)
Net financial income (expense)	5	(2.5)	9.8
Interest expense related to contingent consideration	11	-	(13.8)
FX gains (losses) related to contingent consideration, net	11	-	13.7
Revaluation of contingent consideration	11	-	(3.1)
Profit sale of shares		-	6.9
Share of profit (loss) from associated companies		(1.1)	-
Net financial items		(4.8)	12.1
Profit (loss) before income taxes		(13.4)	0.7
Income taxes	6	(0.5)	0.1
Profit (loss) from continuing operations		**(13.9)**	0.8
Profit (loss) from discontinuing operations, net of tax	13	**0.6**	627.4
Profit (loss)		**(13.2)**	628.1
Other comprehensive income:			
Items that may or will be transferred to profit (loss)			
Foreign currency translation differences		37.9	(21.1)
Total comprehensive income (loss)		**24.6**	607.1
Profit (loss) attributable to:			
Owners of Otello Corporation ASA		(13.2)	628.1
Total comprehensive income (loss) attributable to:			
Owners of Otello Corporation ASA		24.6	607.1

STATEMENT OF
FINANCIAL POSITION

Numbers in USD million	Note	12/31/2017	12/31/2016
Assets			
Deferred tax assets	6	0.1	0.5
Property, plant and equipment	7	3.7	4.0
Investments in subsidiaries	8	708.6	294.3
Other investments and deposits	8	14.4	9.4
Receivables from group companies	9	19.7	423.7
Total non-current assets		**750.7**	731.9
Accounts receivable	5	1.2	1.2
Other receivables		1.8	17.75
Receivables from group companies	9	1.5	2.5
Cash and cash equivalents	5	29.2	134.2
Total current assets		**33.8**	155.6
Total assets		**780.3**	887.5

STATEMENT OF
FINANCIAL POSITION

USD million	Note	12/31/2017	12/31/2016
Shareholders' equity and liabilities			
Equity attributable to owners of the company	10	751.1	752.8
Non-controlling interests		-	-
Total equity		**751.1**	752.8
Liabilities			
Non-current liabilities to group companies	9	17.2	8.3
Loans and borrowings	5	-	100.9
Total non-current liabilities		**17.2**	109.2
Accounts payable		0.7	0.9
Liabilities to group companies	9	4.7	2.7
Taxes payable	6	-	(0.2)
Public duties payable		0.3	3.4
Deferred revenue	5	0.9	2.3
Stock-based compensation liability	3	-	0.1
Other current liabilities	5	5.4	13.3
Provisions	11	-	3.1
Total current liabilities		**12.0**	25.5
Total liabilities		**29.2**	134.7
Total equity and liabilities		**780.3**	887.5

Oslo, April 17, 2018

Audun Wickstrand Iversen
Chairman of the Board

Frode Jacobsen

Birgit Midtbust

Sophie Charlotte Moatti

Andre Christensen

Lars Boilesen
CEO

STATEMENT OF
CASH FLOWS

USD million	Note	2017	2016
Cash flow from operating activities			
Profit (loss) before taxes		(12.8)	628.0
Income taxes paid	6	0.2	(20.2)
Depreciation and amortization expense	7	0.7	0.2
Net (gain) loss from sale of shares [1]		-	(185.2)
Dividends received		-	(449.0)
Impairment of assets	7	-	1.2
Changes in inventories, trade receivables, trade and other payables [2]		(0.5)	(0.5)
Changes in other liabilities and receivables, net [3]	9	20.4	5.2
Share of net income (loss) and net (gain) loss from disposal of associated companies		-	0.1
Share-based remuneration	3	1.2	0.9
Earnout cost and cost for other contingent payments [4]	11	(0.0)	3.1
FX differences related to changes in balance sheet items		5.3	(27.3)
Other net finance items		-	0.8
Net cash flow from operating activities		**14.5**	(42.7)
Cash flow from investment activities			
Proceeds from sale of shares	13	2.1	618.1
Purchases of property, plant and equipment (PP&E) and intangible assets	7	(0.1)	(5.7)
Purchases of subsidiaries and associated companies, net of cash acquired [5]	11	(3.1)	(124.9)
Other investments	8	(0.6)	-
Loans given		-	(5.5)
Net cash flow from investment activities		**(1.7)**	482.1
Cash flow from financing activities			
Proceeds from exercise of own shares (incentive program)	10	0.0	-
Purchase of treasury shares	10	(27.5)	(6.7)
Proceeds from issuance of shares, net (equity increase)	10	0.0	11.3
Proceeds from loans and borrowings	5	10.0	35.0
Repayments of loans and borrowings	5	(100.3)	(186.4)
Payment of group contribution	8	-	(2.2)
Dividends paid to equity holders of Otello Corporation ASA	10	-	(260.6)
Net cash flow from financing activities		**(117.8)**	(409.6)
Net change in cash and cash equivalents		**(104.9)**	29.8
Cash and cash equivalents (beginning of period)		134.2	104.4
Cash and cash equivalents [6] [7]		**29.2**	134.2

[1] These figures represent the gain, and the cash received from the sale of the Consumer and TV businesses, and adjustment on the sales of shares in AdColony, Inc.

[2] Changes in unbilled revenue are included in changes in accounts receivables.

[3] This includes changes in intercompany balances. See note 9 for further information.

[4] Interest income and interest expenses are included in profit (loss) before taxes. Interest paid and interest received are recognized in the same year that interest income and interest expenses are recognized in the consolidated statement of comprehensive income, with the exception of interest related to re-evaluation of the contingent liabilities related to acquisitions. Conversion differences and interest related to, and re-evaluation of, contingent liabilities are recognized on a separate line as net cash flow from operating activities.

[5] Includes earnout payments with cash flow effect related to the acquisition of AdColony
See note 11 of the consolidated financial statements for further information.

[6] As of December 31, 2017, the conversion discrepancy loss recognized on cash and cash equivalents was $3.6 million (2016: 0.7).

[7] Of which $0.3 million (2016: 2.9 million) is restricted cash as of December 31, 2017.

Reconciliation of profit (loss) before taxes, as presented in the consolidated statement of cash flows above:

	2017	2016
Profit (loss) before income taxes	(13.4)	0.7
Profit (loss) from discontinuing operations, net of tax	0.6	627.4
Provision for taxes, discontinued operations	-	-
Profit (loss) before taxes, as presented in the consolidated statement of cash flows above	(12.8)	628.0

STATEMENT OF

CHANGES IN EQUITY

USD million	Number of shares	Paid-in capital	Other reserves	Reserve for own shares	Translation reserve	Other equity	Total equity
Balance as of 12/31/2016	147.7	358.3	40.3	(41.4)	(163.4)	559.1	**752.8**
Comprehensive income for the period							
Profit for the period		-	-	-	-	(13.2)	(13.2)
Other comprehensive income							
Foreign currency translation differences		-	-	-	37.9	-	37.9
Total comprehensive income for the period		-	-	-	37.9	(13.2)	**24.6**
Contributions by and distributions to owners							
Dividend to equity holders		-	-	-	-	-	0.0
Issue of ordinary shares related to business combinations		-	-	-	-	-	0.0
Issue of ordinary shares related to the incentive program		-	-	-	-	-	0.0
Issue of ordinary shares related to equity increase		-	-	-	-	-	0.0
Treasury shares acquired	(7.1)	-	-	(27.5)	-	-	(27.5)
Treasury shares sold	0.4	-	-	-	-	-	-
Tax deduction on equity issuance costs		-	-	-	-	-	-
Share-based payment transactions		-	-	1.2	-	-	1.2
Total contributions by and distributions to owners		-	-	(26.2)	-	-	**(26.2)**
Other equity changes							
Other changes		-	-	-	(0.2)	-	(0.2)
Total other equity changes		-	-	-	(0.2)	-	**(0.2)**
Balance as of 12/31/2017	141.0	358.3	40.3	(67.6)	(125.8)	545.8	**751.1**

Face value of the shares
The face value of the shares is NOK 0.02.

Other reserves
Other reserves consist of option and RSU costs recognized according to the equity settled method.

Reserve for own shares
The reserve for the Company's own shares comprises the face value cost and excess value of own shares held by the Company.

Translation reserve
The translation reserve consists of all foreign currency differences arising from the translation of the financial statements of group companies with a functional currency that is not USD.

Other equity
Other equity consists of all other transactions, including but not limited to, total recognized income and expense for the current period.

STATEMENT OF

CHANGES IN EQUITY

USD million	Number of shares	Paid-in capital	Other reserves	Reserve for own shares	Translation reserve	Other equity	Total equity
Balance as of 12/31/2015	145.3	347.0	39.4	(34.7)	(141.9)	191.5	**401.3**
Comprehensive income for the period							
Profit for the period		-	-	-	-	628.1	628.1
Other comprehensive income							
Foreign currency translation differences		-	-	-	(21.5)	-	(21.5)
Total comprehensive income for the period	0.0	0.0	0.0	0.0	(21.5)	628.1	**606.6**
Contributions by and distributions to owners							
Dividend to equity holders		-	-	-	-	(260.6)	(260.6)
Issue of ordinary shares related to business combinations		-	-	-	-	-	0.0
Issue of ordinary shares related to the incentive program		-	-	-	-	-	0.0
Issue of ordinary shares related to equity increase	3.8	11.3	-	-	-	-	11.3
Treasury shares acquired	(1.4)	-	-	(6.7)	-	-	(6.7)
Treasury shares sold		-	-	0.0	-	-	0.0
Tax deduction on equity issuance costs		-	-	-	-	0.0	0.0
Share-based payment transactions		-	0.9	-	-	-	0.9
Total contributions by and distributions to owners		11.3	0.9	(6.7)	-	(260.5)	**(255.0)**
Other equity changes							
Other changes		-	-	-	-	(0.1)	(0.1)
Total other equity changes		0.0	0.0	0.0	0.0	(0.1)	**(0.1)**
Balance as of 12/31/2016	147.7	358.3	40.3	(41.4)	(163.4)	559.1	**752.8**

NOTE 1

ACCOUNTING PRINCIPLES

Information about the accounting principles is given in the accompanying Note 1 Accounting principles in the consolidated financial statements.

NOTE 2

GENERAL INFORMATION

These are the financial statements of Otello Corporation ASA, which is the holding company for the Group and includes the Group Executive Management (chief operating decision-makers) and associated staff functions.

The Company's main activities are to serve the Group as a whole, through the following functions and services: CEO/Board of Directors, corporate finance and accounting, legal, HR and IT. The Company charges group costs to subsidiaries.

The principal activities of the Group's business areas are described in more detail in Note 2 Operating and geographic segment information in the Group's consolidated financial statements.

NOTE 3

PAYROLL EXPENSE AND REMUNERATION TO MANAGEMENT

Payroll expenses *[USD million]*	**2017**	**2016**
Salaries/bonuses	(2.9)	(3.7)
Social security cost	(0.5)	(0.6)
Pension cost	(0.2)	(0.0)
Share-based remuneration including social security cost	(1.3)	(0.9)
Insurance and other employee benefits	(0.1)	(0.0)
Payments to long-term contractual staff	(0.2)	(0.2)
Total	**(5.3)**	(5.5)
Average number of employees	14	10

The Company has incorporated the requirements set out by the Mandatory Occupational Pensions Act ("Obligatorisk Tjeneste Pensjon").

Remuneration to key management personnel
Information about remuneration to key management personnel is given in the accompanying note 3 in the consolidated financial statements.

Share compensation
For details of the share compensation programs, see note 3 in the consolidated financial statements.

Options
The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2017 (NOK)	**Number of options 2017 (in thousands)**	**Weighted average exercise price 2016 (NOK)**	**Number of options 2016 (in thousands)**
Outstanding at the beginning of the period	29.99	333	34.21	1 298
Transferred in	-	-	-	-
Transferred out	-	-	-	-
Terminated (employee terminations)	60.75	20	-	-
Forfeited during the period	-	-	-	-
Expired during the period	-	-	-	-
Exercised during the period	16.10	58	30.79	965
Granted during the period	38.50	1 900	-	-
Outstanding at the end of the period	37.46	2 155	29.99	333
Exercisable at the end of the period		220		205

1 900 000 options were granted during 2017 (2016: 0).

The table below shows the number of options issued to employees at various strike prices and exercise dates.

	TOTAL OUTSTANDING OPTIONS			VESTED OPTIONS	
Exercise price	**Outstanding options per 12/31/2017 (in thousands)**	**Weighted average remaining lifetime (years)**	**Weighted average exercise price (NOK)**	**Vested options 12/31/2017 (in thousands)**	**Weighted average exercise price (NOK)**
0.00 - 10.00	-	-	-	-	-
10.00 - 12.30	80	1.66	11.68	80	11.68
12.30 - 15.00	-	-	-	-	-
15.00 - 20.00	55	2.63	19.28	55	19.28
20.00 - 25.00	50	1.93	22.08	50	22.08
25.00 - 30.00	-	-	-	-	-
30.00 - 35.00	-	-	-	-	-
35.00 - 40.00	1 900	3.70	38.50	-	-
40.00 - 45.00	-	-	-	-	-
45.00-	70	3.72	60.75	35	60.75
Total	2 155	3.56	37.36	220	23.75

	TOTAL OUTSTANDING OPTIONS			VESTED OPTIONS	
Exercise price	**Outstanding options per 12/31/2016 (in thousands)**	**Weighted average remaining lifetime (years)**	**Weighted average exercise price (NOK)**	**Vested options 12/31/2016 (in thousands)**	**Weighted average exercise price (NOK)**
0.00 - 10.00	18	0	8.40	18	8.40
10.00 - 12.30	100	3	11.66	100	11.66
12.30 - 15.00	-	-	-	-	-
15.00 - 20.00	75	3.63	19.28	38	19.28
20.00 - 25.00	50	2.93	22.08	50	22.08
25.00 - 30.00	-	-	-	-	-
30.00 - 35.00	-	-	-	-	-
35.00 - 40.00	-	-	-	-	-
40.00 - 45.00	-	-	-	-	-
45.00-	90	4.72	60.75	-	0.00
Total	333	3.37	28.06	205	15.32

Exercise price = strike price

The table below shows the date, number and achieved selling price of options exercised.

Date of exercise	**Number of exercised options (in thousands)**	**Achieved selling price (NOK)**
3/20/2017	40	38.04
9/6/2017	18	31.57
Total	58	36.07

Date of exercise	**Number of exercised options**	**Achieved selling price (NOK)**
9/7/2016	653	53.50
11/16/2016	313	49.96
	965	52.35

Restricted stock units
No RSUs were granted in 2017 or 2016.

	2017		2016	
Restricted Stock Units	**Shares (in thousands)**	**Weighted Average Exercise Price (NOK)**	**Shares (in thousands)**	**Weighted Average Exercise Price (NOK)**
Outstanding at the beginning of period	145	0.02	305	0.02
Granted	-	-	-	-
Exercised	-	-	-	-
Released	(61)	0.02	(18)	0.02
Cancelled	-	-	-	-
Forfeited	(3)	0.02	(102)	-
Expired	-	-	-	-
Adjusted quantity	-	-	(40)	0.02
Performance adjusted	26	0.02	-	-
Outstanding at the end of period	107	0.02	145	0.02
Vested RSUs	-	-	138	0.02
Weighted Average Fair Value of RSUs Granted during the period	-	-	-	-
Intrinsic value outstanding RSUs at the end of the period	107	2 790 683	145	5 400 083
Intrinsic value vested RSUs at the end of the period	-	-	-	-

Estimated performance levels for unvested RSUs are estimated to be at 100% of the performance targets.

NOTE 4

OTHER OPERATING EXPENSES

Other expenses *[USD million]*	**2017**	**2016**
Rent and other office expenses	(0.4)	(0.3)
Pruchase of equipment, not capitalized	(0.1)	(0.9)
Audit, legal and other advisory services	(2.4)	(2.9)
Travel expenses	(0.3)	(0.4)
Other expenses	(1.0)	(0.8)
Total	**(4.2)**	(5.3)

Remuneration to the statutory auditors
Otello Corporation ASA changed its auditor from KPMG to PWC in 2017. The following table shows fees to PWC and KPMG for 2017 and KPMG for 2016. For all categories the reported fee is the recognized expense in other operating expenses for the year.

Audit fees *[USD million]*	**2017**	**2016**
Audit and audit related services	(0.6)	(0.2)
Assurance services	(0.0)	(0.2)
Tax services	-	-
Other service	-	(0.0)
Total	**(0.6)**	(0.4)

NOTE 5

FINANCIAL AND LIQUIDITY RISK

Currency risk
The majority of the financial risk that the Company is exposed to relates to currency risk due to exchange rate fluctuations.
The majority of the Company's operating expenses are in NOK.

The lending and borrowing activities of the Company are primarily in USD.

The unrealized foreign exchange gain (loss) is estimated as the difference between exchange rates. These numbers are shown in the table below.

Realized / Unrealized FX gain (loss) *[USD million]*	**2017**	**2016**
Realized FX gain (loss)	10.2	(6.1)
Unrealized FX gain (loss)	(12.7)	15.9
Net FX gain (loss)	**(2.5)**	9.9

Breakdown of cash deposits by currency	**2017**	**2016**
NOK	25.1	65.0
USD	3.3	65.9
EUR	0.7	3.3
Other	0.1	0.0
Total	29.2	134.2

Foreign exchange contracts
During 2017 and 2016, the Company did not use forward exchange contracts to hedge its currency risk, and the Company had not entered into any foreign exchange contracts as of December 31, 2017.

Liquidity risk
The Company had the following liquidity reserve and credit facility as of December 31.

Liquidity reserve *[USD million]*	**2017**	**2016**
Cash and cash equivalents		
Cash and cash equivalents	29.3	134.2
-of which restricted funds 1)	0.3	2.9
Unrestricted cash	**29.0**	131.3

Credit Facility *[USD million]*	**2017**	**2016**
Long-term cash credit	50.0	150.0
-of which utilized	-	100.0
Short-term overdraft facility	-	-
-of which utilized	-	-

Credit facility
In November 2016, Otello signed an agreement with DNB Bank ASA for a secured credit facility of $150 million (of which $100 million is a term loan and $50 million is a Revolving Credit Facility). In 2017, Otello paid down the outstanding term loan of $100 million. As at December 31, 2017, the term loan is repaid and the revolving facility is undrawn.

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 accounts 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 December 31, 2017.

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.

Cash pool agreement
The Company has terminated its cash pool agreement in 2017.

Financial liabilities
All financial liabilities other than the credit facility (described above) are expected to be paid within 1 year of the balance sheet date.

Deferred revenue
Deferred revenue consists of prepaid license/royalty payments, prepaid maintenance and support, and prepaid development fees. Of the Company's total current liabilities, $0.9 million (2016: 2.3) relates to deferred revenue, and $0.9 million (2016: 2.3) relates to deferred revenue that has no future cash payments.

Capital management
The Company's policy has been to maintain a high equity-to-asset ratio and to maintain a solid capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Otello still possesses a business model that anticipates considerable cash flow in the future.

In 2017 and 2016, the Board of Directors has used its authorization to purchase treasury shares.

Please see note 10 in the consolidated financial statements for more information.

NOTE 6

TAX

[USD million]	**2017**	**2016**
Income tax expense recognized in the statement of comprehensive income:		
Current tax	-	(0.4)
Changes in deferred taxes	(0.5)	0.5
Tax expense related to change in tax rate	(0.0)	(0.0)
Total	**(0.5)**	0.1

Recognized deferred tax assets and liabilities:

Deferred tax balances presented in the statement of financial position comprise the following:

[USD million]	**2017**	**2016**
Deferred tax assets related to tax loss carryforwards	0.0	0.4
Deferred tax assets related to temporary differences	0.1	0.1
Net deferred assets (liabilities)	**0.1**	0.5

The Company recognizes deferred tax assets related to tax losses in the statement of financial position when it is considered probable that taxable profit will be generated in future periods against which these tax loss carry forwards can be utilized.

At December 31, 2017, the tax loss carry forwards in Norway have not been recognized, since it is not deemed probable that sufficient future taxable profits will be generated against which these can be utilized.

Deferred tax assets (liabilities) and changes during the year

[USD million]	**Balance 1/1/16**	**Posted to statement of comprehensive income**	**Posted directly to the equity**	**Disposals to discontinued operations**	**Balance 12/31/16**
Property, plant and equipment	2.2	-	-	(2.2)	-
Accounts receivable	1.8	-	-	(1.8)	-
Provisions and accruals	0.2	0.1	-	(0.2)	0.1
Total	4.2	0.1	-	(4.2)	0.1
Tax loss carryforwards	0.0	0.4	-	-	0.4
Tax loss carryforwards not recognized in the statement of financial position	-	-	-	-	-
Tax loss carryforwards recognized in the statement of financial position	-	0.4	-	-	0.4
Net deferred tax assets (liabilities) recognized in the statement of financial position	4.2	0.5	-	(4.2)	0.5

[USD million]	**Balance 1/1/17**	**Posted to statement of comprehensive income**	**Posted directly to the equity**	**Disposals to discontinued operations**	**Balance 12/31/17**
Property, plant and equipment	-	-	-	-	-
Accounts receivable	-	0.1	-	-	0.1
Provisions and accruals	0.1	0.1	-	-	0.2
Total	0.1	0.2	-	-	0.3
Tax loss carryforwards	0.4	2.3	-	-	2.7
Tax loss carryforwards not recognized in the statement of financial position	-	(2.9)	-	-	(2.9)
Tax loss carryforwards recognized in the statement of financial position	-	(0.6)	-	-	(0.2)
Net deferred tax assets (liabilities) recognized in the statement of financial position	0.5	(0.6)	-	-	0.1

Reconciliation of effective tax rate
[USD million]

		2017		2016
Profit (loss) before tax		0.8		0.7
Income tax using the corporate income tax rate in Norway (24%/25%)	24.0 %	(0.2)	25.0 %	(0.2)
Effect of changes in tax rates	-0.3 %	(0.0)	-0.3 %	(0.0)
Effect of non-taxable and non-deductible items	-35.2 %	(0.3)	41.0 %	0.3
Total tax expense for the year	-59.5 %	**(0.5)**	15.6 %	0.1

The income tax rate in Norway changed from 25% in 2016 to 24% in 2017. The income tax rate in Norway will be changed from 24% in 2017 to 23% in 2018.

Permanent differences
Permanent differences include non-deductable costs and share-based remuneration.

NOTE 7

PROPERTY, PLANT & EQUIPMENT, DEVELOPMENT COST AND OTHER INTANGIBLE ASSETS

[USD million]	Leasehold im-provements	Machinery and equipment	Fixtures and fittings	Development	Other intangible assets	Total
Acquisition cost						
Acquisition cost as of 1/1/17	-	5.4	-	-	-	5.4
Acquisitions	-	0.1	-	-	-	0.1
Disposal	-	-	-	-	-	0.0
Transfer of assets to discontinued operations	-	-	-	-	-	0.0
Currency differences	-	0.3	-	-	-	0.3
Acquisition cost as of 12/31/17	-	5.9	-	-	-	5.9
Depreciation and impairment losses						
Acquisition cost as of 1/1/17	-	(1.4)	-	-	-	(1.4)
Depreciation for the year	-	(0.7)	-	-	-	(0.7)
Impairment losses for the year	-	-	-	-	-	0.0
Disposal	-	-	-	-	-	0.0
Transfer of assets to discontinued operations	-	-	-	-	-	0.0
Currency differences	-	(0.1)	-	-	-	(0.1)
Accumulated depreciation as of 12/31/17	-	(2.2)	-	-	-	**(2.2)**
Net book value as of 12/31/17	-	3.7	-	-	-	**3.7**

	Leasehold im-provements	Machinery and equipment	Fixtures and fittings	Development	Other intangible assets	Total
Acquisition cost						
Acquisition cost as of 1/1/16	1.1	12.0	0.6	13.3	16.3	43.4
Acquisitions	-	5.6	-	-	-	5.6
Disposal	-	-	-	-	-	-
Transfer of assets to discontinued operations	(1.1)	(12.0)	(0.6)	(13.3)	(16.3)	(43.4)
Currency differences	-	(0.2)	-	-	-	(0.2)
Acquisition cost as of 12/31/16	-	5.4	-	-	-	**5.4**
Depreciation and impairment losses						
Depreciation as of 1/1/16	(0.4)	(5.5)	(0.4)	(8.8)	(4.8)	(19.9)
Depreciation for the year	-	(0.2)	-	-	-	(0.2)
Impairment losses for the year	-	(1.2)	-	-	-	(1.2)
Disposal	-	-	-	-	-	-
Transfer of assets to discontinued operations	0.4	5.5	0.4	8.8	4.8	19.9
Currency differences	-	0.0	-	-	-	0.0
Accumulated depreciation as of 12/31/16	-	(1.4)	-	-	-	**(1.4)**
Net book value as of 12/31/16	-	4.0	-	-	-	**4.0**
Useful life	Up to 6 years	Up to 10 years	Up to 5 years	Up to 4 years	Up to 5 years	
Depreciation plan	Linear	Linear	Linear	Linear	Linear	

Development is internally developed intangible assets.

Operating leases
The Company's lease agreement for the rental of its Norwegian offices at Gjerdrums vei 19 will run through November 2019. The lease agreement, according to IAS 17, is considered an operating lease.

[USD million]	2017	2016
Leasing costs expensed	0.6	0.2

	2017	2016
Non-terminable operating leases due in:		
Less than one year	0.5	0.5
Between one to five years	0.5	0.8
More than five years	-	-
Total	**0.9**	1.3

NOTE 8

INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER SHARES

The shares in the subsidiaries are booked at the cost of acquisition.

Subsidiaries (directly owned) *[USD million]*	Bemobi Holding AS (form.Opera Distribution AS)	AdColony Holding AS (form. Opera Mediaworks Holdings AS)	Privacy & Performance Ireland Ltd
Formal information			
Acquisition/establishment date	8/8/2016	6/18/2016	9/14/2016
Registered office	Oslo, Norway	Oslo, Norway	Dublin, Ireland
Ownership interest	100%	100%	100%
Proportion of votes	100%	100%	100%
Equity at year end	55.3	502.8	15.8
Profit for the year	(1.1)	(86.4)	16.5
Information related to the acquisition date			
Acquisition cost	63.0	235.0	0.2
Translation differences	4.0	14.8	-
Equity increase	21.1	369.5	-
Group contribution	1.0	-	-

List of shares in subsidiaries owned by other group companies:

	Location	Country	Owner and voting share
4th Screen Advertising Holdings Limited	London	United Kingdom	100%
4th Screen Advertising Limited	London	United Kingdom	100%
AdColony AB	Stockholm	Sweden	100%
AdColony ApS	Copenhagen	Denmark	100%
AdColony AS	Oslo	Norway	100%
AdColony Beijing Co, Ltd. (WOFE)	Beijing	China	100%
AdColony Financing Limited	Dublin	Ireland	100%
AdColony GmbH	Hamburg	Germany	100%
AdColony Holding Ireland Ltd	Dublin	Ireland	100%
AdColony Holdings US, Inc. (form. OSI US Inc.)	San Mateo	United States	100%
AdColony India Private Limited	Gurgaon	India	100%
AdColony Ireland Ltd (form. Opera Mediaworks Ireland Limited)	Dublin	Ireland	100%
AdColony Japan LLC	Tokyo	Japan	100%
AdColony Uk Limited	London	United Kingdom	100%
AdColony, Inc.	Los Angeles	United States	100%
Advine Mobile Advertising Network Prorietary Limited	Cape Town	South Africa	100%
Apps and Games Ireland Ltd	Dublin	Ireland	100%
Apps Club de Argentina SRL	Buenos Aires	Argentina	100%
Apps Club de Chile SPA	Santiago	Chile	100%
Apps Club de Colombia S.A.S.	Bogotá	Colombia	100%
Apps Club Del Mexico Sociedad Anonima Promotora de Capital Variable	Mexico	Mexico	100%
Bemobi International AS	Oslo	Norway	100%
Bemobi Midia e Entretenimento Ltda	Rio de Janeiro	Brazil	100%
Bemobi US, LLC	San Mateo	United States	100%
Foriades Park SA	Montevideo	Uruguay	100%
Hunt Mobile Ads aplicativos para internet Ltda	Sao Paulo	Brazil	100%
Hunt Mobile Ads Panamá Corp.	Panama City	Panama	100%
Hunt Mobile Ads SA de CV	Mexico City	Mexico	100%
Huntmads SA	Buenos Aires	Argentina	100%
LLC Opera Software Ukraine	Odessa	Ukraine	100%
Mobilike Mobil Reklam Pazarlama Ve Ticaret A.S	Istanbul	Turkey	100%
Open Markets AS	Oslo	Norway	100%
Opera Software Brazil Ltda.	Rio de Janeiro	Brazil	100%
Opera Software Korea Ltd	Seoul	Republic of South Korea	100%
Opera Software Singapore PTE. LTD	Singapore	Singapore	100%
Skyfire Labs, Inc.	Mountain View	United States	100%
Tulari Spain Sociedad Limitada	Madrid	Spain	100%

Carrying value *[USD million]*	2017	2016
Purchase price	298.2	298.2
Impairment	-	-
Group contribution	1.0	1.0
Capital increase	390.7	0.2
FX adjustment	18.8	(5.1)
Total	**708.6**	294.3

Investments 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").

In 2017, Opera TV changed its name to Vewd.

Information regarding Last Lion Holdings Ltd *[USD million]*	**2017**	**2016**
Revenue	43.6	32.8
EBIT	18.9	3.3
Net profit (loss)	3.7	6.5
Assets	127,3	129,1
Non-current liabilities	86.0	85.1
Current liabilities	9.3	9.6
Equity	32.0	34.5
Otello's share of equity	8.6	9.3

The numbers for 2017 reflects the restated and proforma numbers for the TV business before Last Lion Holdings Ltd acquired a majority stake in the TV business.

Investment in associate
The investment in Last Lion Holdings LTD is recognized using the equity method.

Otello has recognized the following amount as Other investments in the statement of financial position:

Carrying value *[USD million]*	**2017**	**2016**
At January 1	9.5	-
Investment during the financial year	-	7.9
FX adjustment	0.1	-
Adjustement from prior year	(1.4)	
Share of the profit (loss)	0.3	(0.1)
Elimination	-	-
Total at December 31	**8.6**	**7.9**

Other shares
Otello Corporation ASA owns 1.1% of the shares in Alliance Venture Spring AS and 0.3% of the shares in Zen Labs, Inc. The recognized value of the shares is $0.7 million. Management has not determined the fair value of these investments, as they are not material for Otello

Alliance Venture Spring is a Norwegian venture capital firm investing in early stage technology companies.

Zen Labs is located in San Jose, California, and primarily operates in the computer software Development and applications business.

NOTE 9

RECEIVABLES AND PAYABLES WITH GROUP COMPANIES

The table below presents a breakdown of receivables and payables with group companies.
[USD million]

OTHER RECEIVABLES (NON-CURRENT)		ACCOUNTS RECEIVABLES		OTHER RECEIVABLES (CURRENT)	
2017	**2016**	**2017**	**2016**	**2017**	**2016**
19.7	423.7	1.5	0.9	-	1.3

OTHER LONG-TERM LIABILITIES		ACCOUNTS PAYABLE		OTHER SHORT-TERM LIABILITIES	
2017	**2016**	**2017**	**2016**	**2017**	**2016**
17.2	8.3	4.7	2.5	-	0.0

All outstanding balances with the related parties are priced on an arm's-length basis and are to be settled in cash within five years of the reporting date. None of the balances are secured. The balances outstanding are specified as follows:

Receivables from group companies *[USD million]*	**2017**
AdColony Ireland Ltd (form. Opera Mediaworks Ireland Limited)	12.0
AdColony Holding AS (form. Opera Mediaworks Holding AS)	3.4
Bemobi International AS	2.4
Apps and Games Ireland Limited	1.5
Other entities	1.9
Total receivables	**21.2**

Payables to group companies	**2017**
Performance and Privacy Ireland Limited	9.3
4th Screen Advertising Holdings Limited	8.7
AdColony, Inc	3.3
Other entities	0.6
Total payables	**22.0**

The receivable from AdColony Holding AS (form. Opera Mediaworks Holding AS) of 237.3 as at December 31, 2016 was converted to equity in AdColony Holding AS during 2017.

The receivable from Opera Mediaworks, LLC, of 125.8 as at December 31, 2016 was converted to equity in AdColony Holding AS during 2017 by way of a contribution in kind.

Receivables from group companies *[USD million]*	**2016**
Receivables	
AdColony Holding AS (form. Opera Mediaworks Holding AS)	237.3
Opera Mediaworks, LLC	125.8
AdColony Ireland Ltd (form. Opera Mediaworks Ireland Limited)	27.9
Bemobi Holding AS (form.Opera Distribution AS)	15.5
Performance and Privacy Ireland Limited	13.9
Apps and Games Ireland Limited	3.2
SurfEasy Inc.	1.3
Other entities	0.9
Total receivables	**425.8**

Payables to group companies	**2016**
Payables	
4th Screen Advertising Holdings Limited	7.8
Performance and Privacy Ireland Limited	1.2
Opera Mediaworks, Inc.	0.5
AdColony Holdings US, Inc. (form. OSI US Inc.)	0.4
Other entities	0.8
Total payables	**10.8**

Transactions *[USD million]*	**2017**	**2016**
Intercompany revenue	0.1	0.8
Intercompany costs of goods sold	(0.0)	1.1
Interest income from related parties	2.3	3.1
Interest expense to related parties	(0.2)	0.5

Breakdown of intercompany receivables by currency: *[USD million]*	**2017**	**2016**
USD	18.2	199.0
NOK	2.2	223.3
DKK	0.8	-
EUR	0.1	2.7
Total	**21.2**	425.0

For the largest intercompany receivables described in detail above, an interest rate of 1 month LIBOR + 175 basis points is charged.

Breakdown of intercompany payables by currency: *[USD million]*	**2017**	**2016**
USD	13.2	12.9
EUR	8.7	7.8
Total	**22.0**	10.8

NOTE 10

SHARES AND SHAREHOLDER INFORMATION

Shares and shareholder information is given in the accompanying note 10 to the consolidated financial statements.

NOTE 11

CONTINGENT LIABILITIES AND PROVISIONS

See note 11 in the consolidated financial statements for information regarding the Company's contingent liability related to the earnout agreement with the former shareholders of AdColony that was settled during 2017.

NOTE 12

RELATED PARTIES

In 2017, as in prior years, the Company made earnout payments to former shareholders of acquired companies. See note 11 in the Group financial statements for further information regarding earnout payments. Further, the Group entered into a loan agreement of $5 million with Vewd Software AS (formerly Opera TV AS). The Company holds a 27% equity interest in Last Lion Ltd, through preferred shares, which indirectly owns Vewd Software AS through Last Lion Holdco AS.

Apart from the above transactions, and for transactions with group companies in the normal course of business, the Company did not engage in any related party transactions, including with any members of the Board of Directors or Executive Management.

See note 9 for information regarding transactions with group companies.

Transactions with key management personnel
Members of the Board of Directors and Executive Management of the Group and their immediate relatives controlled 0.2% of the Group's voting share as per December 31, 2017. Otello has not provided any loans to Directors or Executive Management members as of December 31, 2017.

Compensation for Executive Managment and Board of Directors can be found in note 3.
Executive Management also participate in the Group's stock option and RSU program (see note 3).

NOTE 13

DISCONTINUED OPERATIONS

Following the sale of the Consumer and TV businesses, these are presented separately as discontinued operations in the statement of comprehensive income and comparative periods are restated.

See note 8 for further information regarding discontinued operations.

Results of discontinued operations
The Company has excluded the revenues and expenses of the disposed businesses for the period prior to the effective date of the demerger in 2016 due to materiality considerations.

(USD million)	**2017**	**2016**
Revenue	-	-
Operating expenses	-	-
Operating profit ("EBIT"), excluding restructuring costs	-	-
Restructuring costs	-	-
Operating profit ("EBIT")	-	-
Net financial items (loss)	-	-
Net (gain) loss from sale of discontinued operations, net of tax	0.6	178.3
Dividends received	-	449.0
Profit (loss) before income tax	0.6	627.4
Provision for taxes	-	-
Profit (loss) from discontinued operations	0.6	627.4
Items that may or will be transferred to profit (loss)		
Discontinuing operations - reclassified to profit and loss	-	-
Total comprehensive income (loss)	0.6	627.4

Cash flow information (discontinued operations):	**2017**	**2016**
Cash flow from operating activities	-	57.3
Cash flow from investment activities	2.1	(135.6)
Cash flow from financing activities	-	-

Effect of disposal on the financial position of the Company: *(USD million)*	**2017**	**2016**
Shares in subsidiaries	**0.0**	475.1
Banker fees and other fees	(1.5)	(14.0)
Consideration received, satisfied in non-cash	-	17.4
Consideration received, satisfied in cash	2.1	640.3
Net profit	**0.6**	168.6
Consideration received, satisfied in cash	2.1	640.3
Cash and cash equivalents disposed of	-	22.2
Net cash inflows	**2.1**	618.1

NOTE 14

EVENTS AFTER THE REPORTING PERIOD

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.

Seven weeks after signing the SPA, MFC's appointed directors on the Board have still not approved the proposed sale, despite Otello's good faith participation in a unnecessarily extended approval process run by a sub-committee of the Board.

Otello has therefore today filed a claim with the High Court of Justice in England and Wales against MFC and the Company asking for an injunction and expedited trial to compel the Company (acting through its Board) to give its immediate approval to the transaction. The proceedings have been served on both MFC and the Company.

We would add that until the Board has given its approval, Otello is unable to serve notice on the Company and MFC offering them the right of first refusal.

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 20 June 2018, no assurances can be given that such completion will take place.

Credit facility
Otello has signed a term sheet for a new 3 year Revolving Credit Facility (RCF) of $100 million with DNB. The terms of the new agreement will not be significantly different from the existing agreement.

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To the General Meeting of Otello Corporation ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Otello Corporation ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the statement of financial position as at 31 December 2017, and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2017 and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill and Intangible Assets	
At the balance sheet date, the book value of goodwill and intangible assets were USD million 322.6 and 59.6 respectively distributed between three different cash generating units (CGU's). The values involved are significant and constitute a major part of the balance sheet. No impairment charges were recognized in the income statement. The group operates within business sectors that experience rapid technological change and market disruptions; mobile advertising and apps and games. We focused on the valuation of goodwill and intangible assets allocated to the mobile advertising business as there were indications of impairment present; as the economic performance had not been as good as expected. Further, the values involved were significant and the assumptions and timing of cash flows in the estimate involved management judgement. See further information in note 8 and 9 to the financial statements.	We evaluated the appropriateness of management's allocation of goodwill and intangible assets to CGU's and the Group's controls over the impairment assessment process. The group changed the number of CGU's during the financial year. We assessed management's identification of relevant CGU's and considered whether management's policy change were consistent with the requirements in IAS 36 and whether the disclosures about the change was appropriate. Our procedures included challenging management on the suitability of the impairment model and the reasonableness of the assumptions as well as a test of the mathematical accuracy of the model. We assessed the reliability of management's cash flow forecasts through a comparison of actual performance in previous years to previous year's forecasts. We obtained explanations from management to material deviations. Further, we compared estimates on future cash flows to long-term plans approved by BoD. Further, we challenged management's expectations on future growth by comparing these expectations with historic results for the different CGU's. We also compared the growth assumptions with relevant external sources such as PwC's Global Entertainment & Media Outlook for growth within mobile advertising in the US. We assessed the discount rate by comparing the key components used with external market data. We considered that the discount rates were within an appropriate range. We considered the appropriateness of the related disclosures in note 8 and 9, including the sensitivities provided for the discount rate and growth expectations. Based on our testing and considerations, we were able to conclude that management's assumptions were reasonable.
Research and Development costs	
Research and Development (R&D) costs related to development of key platforms	We evaluated the Group's policy for capitalizing R&D costs, and considered whether it was consistent with the

and servers needed for the business was capitalised in the balance sheet with USD million 19.3.

Capitalisation of R&D costs involves judgement related to whether the projects can be capitalised and the useful life of the resulting asset. We focused on this issue because of the level of management judgement involved and the possible effect on net results from the decisions made by management.

See further information in note 9 to the financial statements.

requirements in IAS 38. The policy includes process descriptions and relevant internal controls. We tested the descriptions by discussing with management and the controls by performing walkthroughs and discussions with relevant personnel. The controls were directed at assessing which projects that will likely satisfy the criteria in IAS 38 for capitalising R&D costs, and controls related to approving man-hours from employees and distributing them to the relevant project.

Most of the capitalised costs were man-hours from Otello's own personnel. We tested whether time sheets were approved by authorised managerial personnel, whether the hours were correctly recorded and whether the recorded costs was calculated correctly based on individual salaries. Our audit procedures also included challenging management on their view of useful lives of the developed key platforms and servers. In these discussions with management we used, among others, information about useful life from other comparable companies within the industry. We considered whether the explanatory information in the notes appropriately described the basis for capitalizing R&D costs and whether the information was in accordance with the requirements in IFRS.

Based on our testing and considerations, we were able to conclude that management's basis for capitalizing R&D costs were reasonable.

Earn out provisions

The group has booked contingent earn out provisions amounting to USD million 53.9 related to previous acquisitions.

There is uncertainty related to the payable amount as the level of future profits could trigger different amounts for payment. This resulted in management having to use judgement to estimate the booked amount.

Due to the use of judgement and the magnitude of these provisions, we focused on this issue.

See how earn out provisions was calculated in note 11 to the financial statements.

The provisions booked were based on a discounted probability weighted cash flow model. We performed technical recalculations of the model, and on a sample basis, tested whether details from the contracts where accurately registered in the model. We assessed the reliability of management's estimate for future cash flows through a comparison of actual performance in previous years to previous year's forecasts and by assessing future business plans. We obtained explanations from management to material deviations. We compared payments during the year to previous booked provisions to address the accuracy of the liability.

We further assessed the appropriateness of the disclosures for contingent liabilities in note 11 by comparing it to the requirements in IFRS.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statement on Corporate Governance and other information in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statement on Corporate Governance and other information in the annual report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 17 April 2018

PricewaterhouseCoopers AS

Eivind Nilsen

State Authorised Public Accountant

DECLARATION OF EXECUTIVE COMPENSATION POLICIES

PART 1: POLICIES AND EXECUTIVE COMPENSATION EXCEPT SHARE-BASED INCENTIVES

The Board of Directors has, in accordance with the Public Limited Liability Companies Act § 6-16a, developed policies regarding compensation for the Executive Team.

The objectives of the Executive Team compensation program are, in particular, to (i) attract, motivate, retain and reward the individuals on the Executive Team and (ii) ensure alignment of the Executive Team with the long-term interests of the shareholders. The Company's executive compensation program is intended to be performance driven and is designed to reward the Executive Team for both reaching key financial goals and strategic business objectives and enhancing shareholder value.

The most important components of Executive Team compensation are as follows: (i) base salary, (ii) cash-incentive bonus and (iii) long-term, equity-based incentives. Only the statement in part 2 "Share-based incentives", below, will be binding for the Board of Directors.

<u>1. Base salary</u>

Base salary is typically the primary component of Executive Team compensation and reflects the overall contribution of the executive to the Company. The determination of base salaries for the executives considers a range of factors, including (i) job scope and responsibilities, (ii) competitive pay practices, (iii) background, training and experience of the executive, and (iv) past performance of the executive at the Company. Adjustments to base salary are ordinarily reviewed every 12 months or longer by the Board.

<u>2. Cash incentive bonus</u>

The Company uses a cash-incentive bonus to focus the Executive Team members on, and reward the Executive Team members for, achieving key corporate objectives, which typically involve a fiscal-year performance period. Key drivers of cash-incentive bonuses for the Executive Team are typically corporate, financial and operational performance. Cash-incentive bonuses tied to strategic business objectives, which may be individual to or shared among the Executive Team members, may also be considered as part of the cash-incentive bonus. The determination of the total bonus that can be potentially earned by an executive in a given year is based on, among other factors, the executive's current and expected contributions to the Company's performance, his or her position within the Otello Executive Team, and competitive compensation practices. Any cash-incentive bonus is capped, typically so no member of the Executive Team can be awarded more than 200% of his or her on-target cash-incentive bonus unless the Board of Directors makes exemptions in particular cases.

As a starting point, the cash-incentive bonus for FY 2017 for Executive Team members was based on Corporate Results for FY 2017. Certain members of the Executive Team, however, had a portion of his or her cash-incentive bonus tied to individualized, strategic business targets linked to his or her particular area of responsibility.

For the Corporate Results component, 50% was tied to meeting certain FY 2017 Reported Revenue targets for the Company and 50% to meeting certain FY 2017 Reported Adjusted EBITDA (excluding extraordinary one-time costs) targets for the Company.

For FY 2018, the Board has approved a cash bonus scheme which is focused on achieving key corporate objectives. The bonus will be based on further defined corporate or asset transaction agreements being signed within certain deadlines and the agreed consideration in each transaction exceeding set targets. For the CEO, the total transactional, cash bonus is capped at a maximum amount payable in NOK, and for other members of the Executive Team any cash bonus is capped at 200% of base salary. The Board may also approve cash bonuses for transactional events even if the timing and/or consideration levels are not met, however in such case the cash bonus shall not exceed 200% of base salary for the CEO and 100% of base salary for other members of the Executive Team.

The Board may in addition approve cash bonuses based on the Company's FY 2018 revenues and EBITDA, such bonuses shall in any event not exceed 200% of base salary. For Executive Team members other than the CEO, transactional cash bonus and cash bonus based on achieved revenue and EBITDA shall in the aggregate not exceed 200% of base salary.

3. Severance-payment arrangements
Pursuant to Section 15-16 second subsection of the Norwegian 2005 Act relating to Employees' Protection, CEO Lars Boilesen has waived his rights under Chapter 15 of the Act. As compensation, he is entitled to a severance payment of two years' base salary if his employment is terminated by the Company. If the CEO has committed a gross breach of his duty or other serious breach of the contract of employment, the employment can be terminated with immediate effect without any right for the CEO to the mentioned severance payment.

Except for the CEO as described above, the employment agreements for the members of the Executive Team have no provisions with respect to severance payments if a member of the Executive Team should leave his or her position, whether voluntarily or involuntarily. Severance payment arrangements, if any, will thus be based on negotiations between the Company and the relevant member of the Executive Team on a case-by-case basis.

4. Pension
Members of Executive Team participate in regular pension programs available for all employees of Company. For members of the Executive Team based in Norway, an additional pension agreement is in place. This agreement is based on a defined-contribution scheme and contributes 20% of salary over 12G.

PART 2: SHARE-BASED INCENTIVES

1. Existing programs
The Company currently has two equity-based incentives: ordinary stock options and Restricted Stock Units ("RSU"), as most recently approved at an extraordinary general meeting held 4 April 2017.

2. Vesting criteria for existing RSUs
For members of the Executive Team, the RSUs are typically linked to achievement of further specified targets related to reported revenue and reported adjusted EBITDA. All RSUs previously granted to members of the Executive Team, have been issued with vesting criteria which are in accordance with the approvals given by the Annual General Meeting held in 2014, the Annual General Meeting in 2015, and/or the Extraordinary General Meeting held in January 2016.

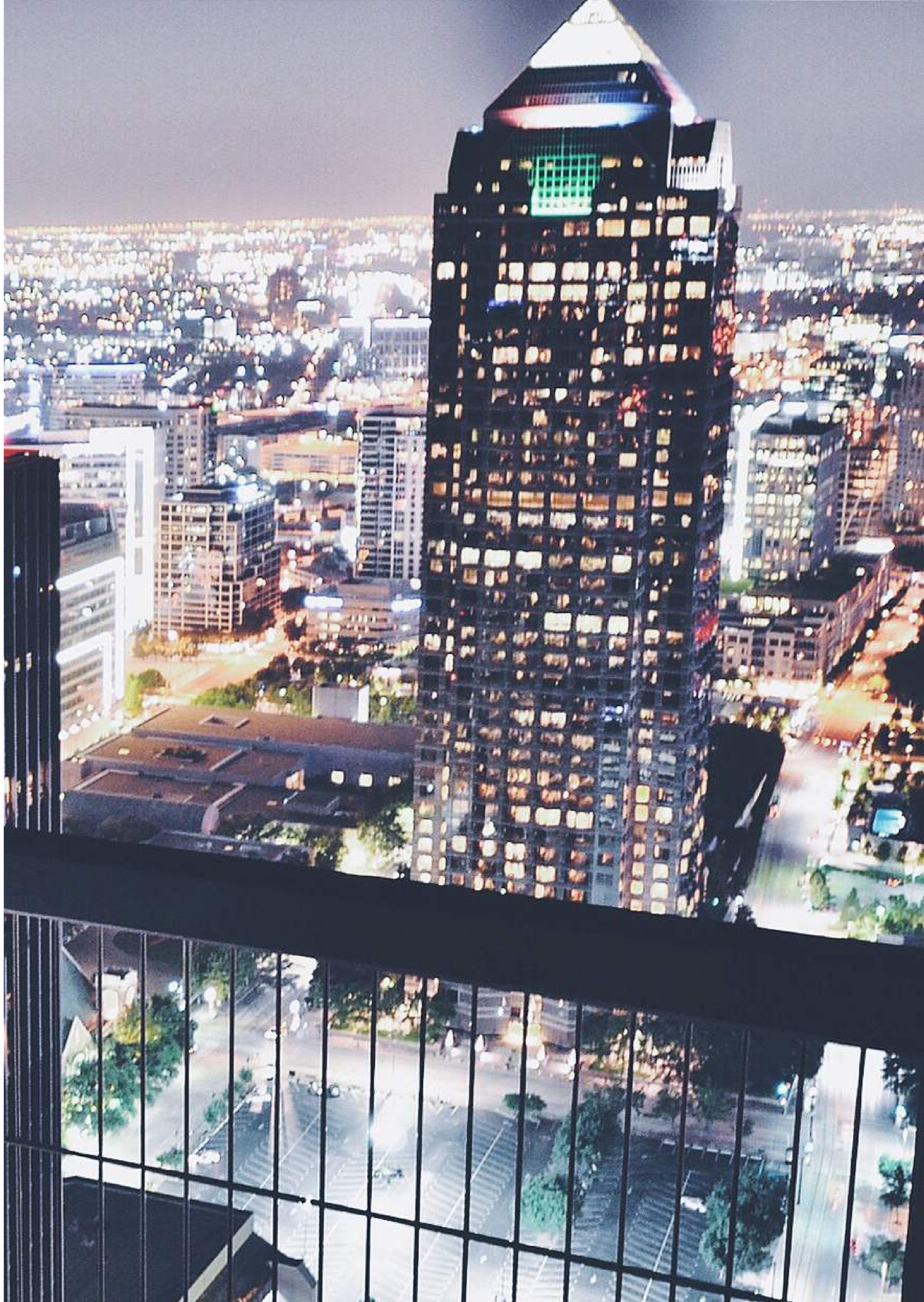
2. Vesting criteria for existing options
Options granted to AdColony employees in accordance with the approval given by the shareholders at the extraordinary general meeting held 4 April 2017, vest over three years with 1/3 each year.

Options granted to Otello Corporation ASA employees in accordance with the approval given by the shareholders at the extraordinary general meeting held 4 April 2017, vest over four years with ¼ each year.

PART 3: 2017 COMPLIANCE
In 2017, the Executive Team received base salaries and cash-incentive bonuses in line with the Executive Compensation Policy as presented to the 2017 Annual General Meeting. There was no pay-out of cash bonus to Executive Team members based on FY 2017 Corporate Results. During 2017, there was a considerable focus on corporate transactions and Executive Team members as well as other employees have put a lot of time and efforts into achieving successful transactions. Based on this, the Board has decided to approve a cash bonus for FY 2017 equal to 50% target achievement for each member of the Executive Team.

Total compensation earned for the Executive Team in FY 2017 is summarized in note 3 of the consolidated financial statements.

During 2017, no deviations from the existing share-based compensation programs as previously approved were made with respect to the Executive Team.



PRINCIPLES OF

CORPORATE GOVERNACE

AT OTELLO CORPORATION ASA

General principles, implementation and reporting on corporate governance

Otello Corporation ASA ("Otello" or the "Company") strongly believes that strong corporate governance creates higher shareholder value. As a result, Otello is committed to maintaining high standards of corporate governance. Otello's principles of corporate governance have been developed in light of the Norwegian Code of Practice for corporate governance (the "Code"), dated October 30, 2014, as required for all listed companies on the Oslo Stock Exchange. The Code is available at www.nues.no. The principles are further developed and are in accordance with section 3-3b and section 3-3c of the Norwegian Accounting Act, which can be found at www.lovdata.no/all/nl-19980717-056.html/. Otello views the development of high standards of corporate governance as a continuous process and will continue to focus on improving the level of corporate governance.

The Board of Directors has the overall responsibility for corporate governance at Otello and ensures that the Company implements sound corporate governance. The Board of Directors has defined Otello's basic corporate values, and the Company's ethical guidelines and guidelines on corporate social responsibility are in accordance with these values.

Otello's activities

Otello'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. Otello's corporate objective is to drive shareholder value through developing these businesses.

Our business is based on close relationships with customers, partners, investors, employees, friends, and communities all over the world – relationships we are committed to developing by conducting our business openly and responsibly. Our corporate policies are developed in order to be true to this commitment.

CSR guidelines

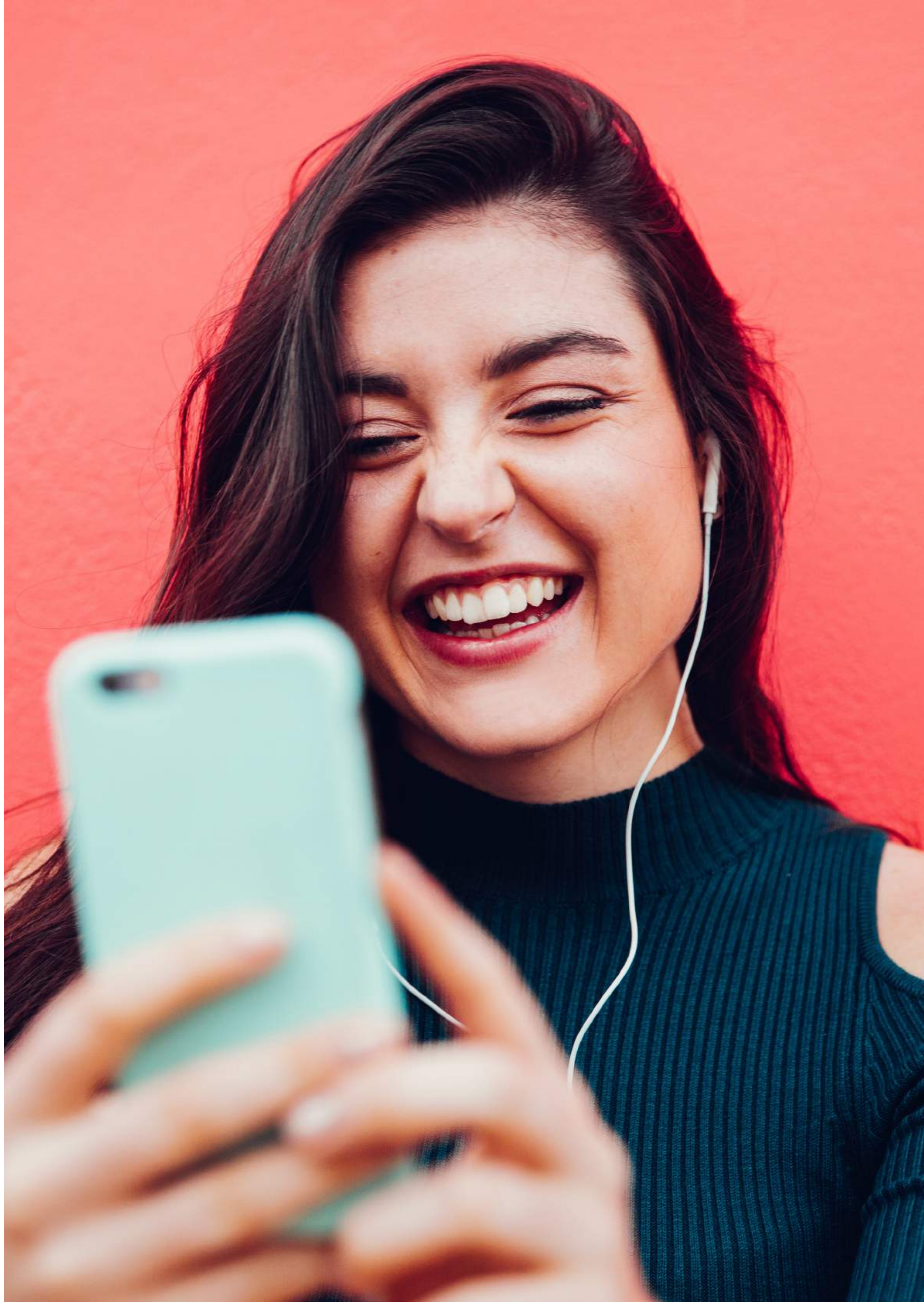
The Board of Directors has adopted corporate social responsibility ("CSR") guidelines and Otello is a member of the UN Global Compact. The CSR guidelines cover a range of topics such as human rights, employee relations, Health, Environment & Safety, and anti-discrimination.

Equity and dividends

The Company's equity is considered to be adequate to Otello's objectives, strategy and risk profile.

It is Otello's policy to maintain a high equity ratio. Otello believes its needs for growth can be met while also allowing for a dividend distribution as long as the Company is reaching its targeted growth and cash generation levels. For this reason, the Company will consider continuing to pay dividends over the next years. Dividend payments will be subject to approval by the shareholders at the Company's Annual General Meetings.

Authorizations granted to the Board of Directors to increase the Company's share capital will be restricted to defined purposes and will in general be limited in time to no later than the date of the next Annual General Meeting. To the extent that authorization to increase the share capital shall cover issuance of shares under employee share option schemes and other purposes, the Company



will consider presenting the authorizations to the shareholders as separate items.

The Board of Directors may also be granted the authority to acquire own shares. Authorizations granted to the Board of Directors to acquire own shares will also be restricted to defined purposes. To the extent that authorization to acquire own shares shall cover several purposes, the Company will consider presenting the authorization to the shareholders as separate items. Such authority may by law apply for a maximum period of 2 years, and will state the maximum and minimum amount payable for the shares. In addition, an authorization to acquire own shares will state the highest nominal value of the shares which Otello may acquire, and the mode of acquiring and disposing of own shares. Otello may not at any time hold more than 10% of the total issued shares as own shares.

Equal treatment of shareholders and transactions with close associates

A key concept in Otello's approach to Corporate Governance is the equal treatment of shareholders. Otello has one class of shares and all shares are freely transferable (with possible exceptions due to foreign law restrictions on sale and offering of securities). All shares in the Company carry equal voting rights. The shareholders exercise the highest authority in the Company through the General Meeting. All shareholders are entitled to submit items to the agenda, and to meet, speak, and vote at the General Meeting.

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital will be explained. Where the Board of Directors resolves to carry out an increase in the share capital and waive the pre-emption rights of the existing shareholders on the basis of a mandate granted to the board, an explanation will be publicly disclosed in a stock exchange announcement issued in connection with the increase of the capital.

In 2017 there have been no significant transactions with closely related parties.

If the Company should enter into a not immaterial transaction with associated parties within Otello or with companies in which a director or leading employee of Otello or close associates of these have a material direct or indirect vested interest, those concerned shall immediately notify the Board of Directors.

Any such transaction must be approved by the Board of Directors, and where required also as soon as possible publicly disclosed to the market.

In the event of not immaterial transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties, the Board of Directors will arrange for a valuation to be obtained from an independent third party, unless the transaction requires the approval of the General Meeting.

The Company has an established and closely monitored insider trading policy.

Any transaction the Company carries out in its own shares will be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

Freely negotiable shares

Otello has no limitations on the transferability of shares and has one class of shares. Each share entitles the holder to one vote.

General Meetings

Through the General Meeting, the shareholders exercise the highest authority in the Company. General Meetings are held in accordance with the Code. All shareholders are entitled to submit items to the agenda, meet, speak and vote at General Meetings. The Annual General Meeting is held each year before the end of June. Extraordinary General Meetings may be called by the Board of Directors at any time. The Company's auditor or shareholders representing at least five percent of the total share capital may demand that an Extraordinary General Meeting be called.

General Meetings are convened by written notice to all shareholders with known addresses no later than 21 days prior to the date of the meeting. Proposed resolutions and supporting information, including information on how to be represented at the meeting, vote by proxy and the right to propose items for the General Meeting, is generally made available to the shareholders no later than the date of the notice. According to the Company's Articles of Association, attachments to the calling notice may be posted on the Company's website and not sent to shareholders by ordinary mail. Shareholders who wish to receive the attachments may request the Company to mail such attachments free of charge. Resolutions and the supporting information are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered in the meeting.

Shareholders who are unable to be present, are encouraged to participate by proxy and a person who will be available to vote on behalf of shareholders as their proxy will be nominated. Proxy forms will allow the proxy-holder to cast votes for each item separately. A final deadline for shareholders to give notice of their intention to attend the meeting or vote by proxy will be set in the notice for the meeting. Such deadline will be set as close as possible to the date of the General Meeting and under every circumstance, in accordance with the principles of section 5-3 of the Public Limited Companies Act.

The Chairman, Vice-Chairman, Chairman of the Nomination Committee, CEO, CFO and the auditor are all required to be present at the meeting in person. The Chairman for the meeting is generally independent. Notice, enclosures and protocol of meetings are available on Otello's website.

The General Meeting elects the members of the Board of Directors (excluding employee representatives), determines the remuneration of the members of the Board of Directors, approves the annual accounts and decides such other matters which by law, by separate proposal or according to the Company's Articles of Association are to be decided by the General Meeting. The General Meeting will normally vote separately on each candidate for election for the Board of Directors, the Nomination Committee and any other corporate bodies to which members are elected by the General Meeting.

The Board of Directors may decide to allow electronic participation in General Meetings, and will consider this before each General Meeting.

The minutes from General Meetings will be posted on the Company's website within 15 days after the General Meeting has been held. Information that a General Meeting has been held will be made public as soon as possible after the end of the meeting.

Nomination Committee

The Nomination Committee is a body established pursuant to the Articles of Association and shall consist of three to five members. The members and the chairperson are elected by the General Meeting. Members of the Nomination Committee serve for a two-year period, but may be re-elected. The current members of the Nomination Committee are Jakob Iqbal (Chairman), Kari Stautland and Nils Foldal. The members of the Nomination Committee are independent of the Board of Directors and the executive personnel. Currently, no member of the Nomination Committee is a member of the Board of Directors. Any member who is also a member of the Board of Directors will normally not offer himself or herself for re-election to the Board.

The tasks of the Nomination Committee are to propose candidates for election as shareholder-elected members of the Board of Directors and members of the Nomination Committee. The Nomination Committee will be encouraged to have contact with shareholders, the Board of Directors and the Company's Chief Executive Officer as part of its work on proposing candidates for election to the Board of Directors. The Committee cannot propose its own Committee members as candidates for the Company's Board of Directors. Further, the Committee shall make recommendations regarding the remuneration of the members of the Board of Directors. Its recommendations will normally be explained, and information about proposed candidates will normally be given, no later than 21 days before the General Meeting. The tasks of the Nomination Committee are further described in the Company's Nomination Committee guidelines, as adopted by the Annual General Meeting held on June 14, 2011. Remuneration of the members of the Nomination Committee will be determined by the General Meeting. Information regarding deadlines for proposals for members to the Board of Directors and the Nomination Committee will be posted on Otello's website.

Corporate assembly

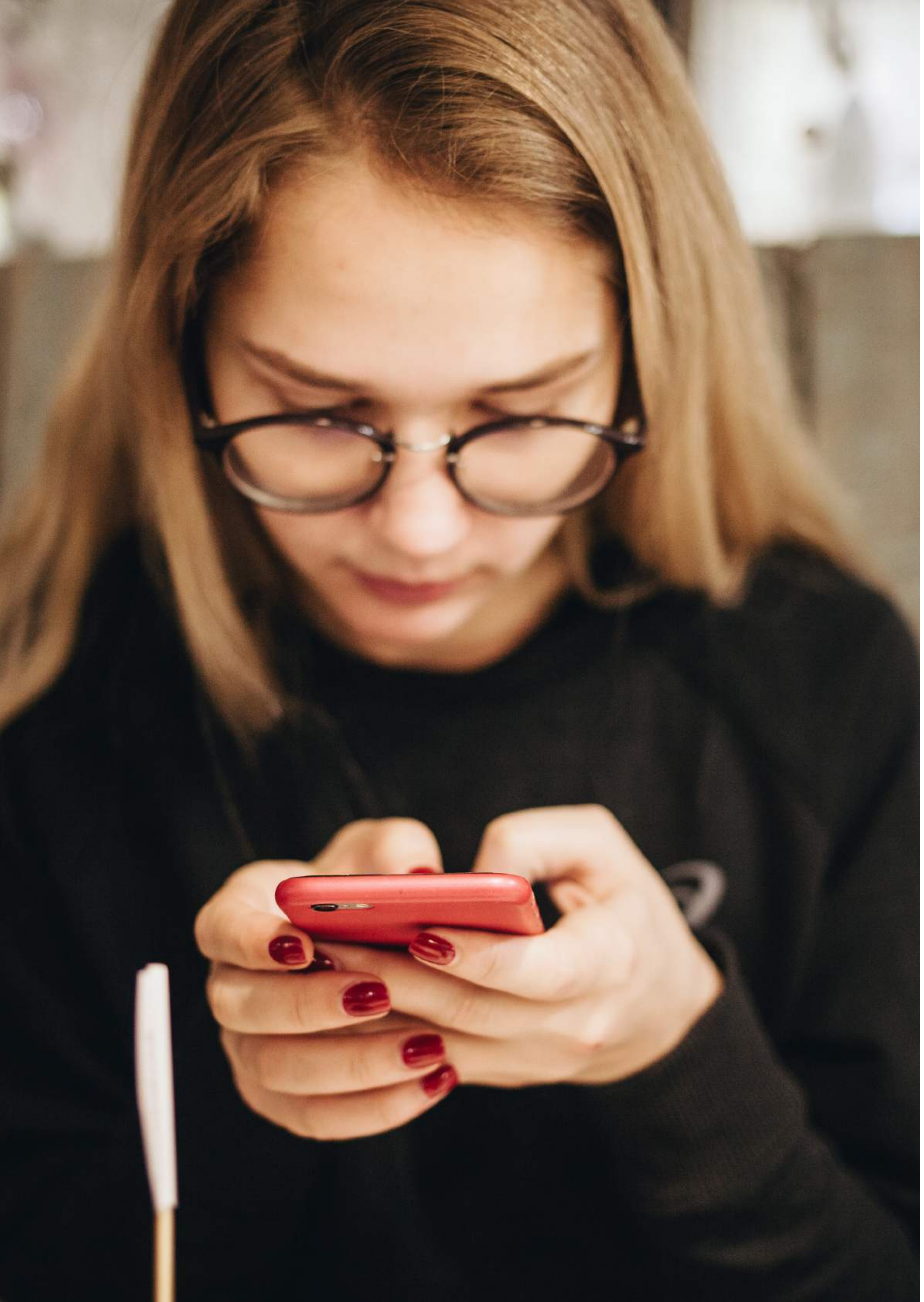
Otello does not have a corporate assembly as the employees have voted, and the General Meeting in 2010 approved, that the Company should not have a corporate assembly.

The Board of Directors

Appointed by Shareholders at the General Meeting, the Board of Directors is the central governing mechanism between shareholders and executive management. The members of the Board of Directors is selected in light of an evaluation of the Company's need for expertise, capacity and balanced decision making, and with the aim of ensuring that the Board of Directors can operate independently of any special interests and function effectively as a collegial body. At least half of the members of Board of Directors shall be independent of the Company's management and its main business connections. At least two of the shareholder-elected members of the Board of Directors shall be independent of the Company's main shareholder(s). The current Otello Board of Directors meets these criteria. Otello's Board of Directors carefully performs its oversight function and is at all times closely monitoring major developments. Briefly summarized, some of the tasks of the Board's Directors includes:

- Ensure compliance with applicable laws
- Consider the interests of Otello's different stakeholders
- Reviewing and guiding corporate strategy, major plans of action, annual budget and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures.
- Selecting, monitoring, and, when necessary, replacing key executives and Director's and overseeing succession planning
- Reviewing key executive and Board remuneration
- Monitoring and managing potential conflicts of interest of management, Director's and shareholders, including misuse of corporate assets and abuse in related party transactions.
- Ensuring the integrity of Otello's accounting and financial reporting systems, and that appropriate systems of control are in place.
- Monitoring the effectiveness of the governance practices under which it operates and making changes as needed
- Overseeing the process of disclosure and communications

A more in-depth description of the Board's duties can be found on the Otello website:



https://www.otellocorp.com/ir/board-of-directors/rules-of-procedure-for-the-board-of-directors-of-otello.

The Board of Directors has further established a Remuneration Committee and an Audit Committee. Currently, the Remuneration Committee and the Audit Committee each consists of two members. According to the Code, a majority of the members of each Committee should be independent from the Company. If the requirements for independence are not met, Otello will explain the reasons in our Annual Report. Currently, Audun W. Iversen (Chairperson), and Frode Jacobsen are members of the Audit Committee, and Andre Christensen (Chairperson), and Sophie-Charlotte Moatti are members of the Remuneration Committee. The requirements for independence are thus met.

The Audit Committee's main responsibilities include following up on the financial reporting process, monitoring the systems for internal control and risk management, having continuous contact with the appointed auditor, and reviewing and monitoring the independence of the auditor. The Board of Directors maintains responsibility and decision making in all such matters. Please see below under the section "Remuneration of the Executive Personnel" for the tasks to be performed by the Remuneration Committee.

The Board will consider evaluating its work, performance and expertise annually, and any report from such evaluation will upon request be made available to the Nomination Committee. The Board plans to carry out a self-evaluation process in 2018. In order to ensure a more independent consideration of matters of a material character in which the Chairman of the Board of Directors is, or has been, personally involved, such matters will be chaired by some other member of the Board of Directors. Please see Otello's website for further information regarding the Rules of Procedure for the Board of Directors and the instructions for its Chief Executive Officer. The Company has also established Rules of Procedure for its Executive personnel.

Risk management and internal control

Board of Directors

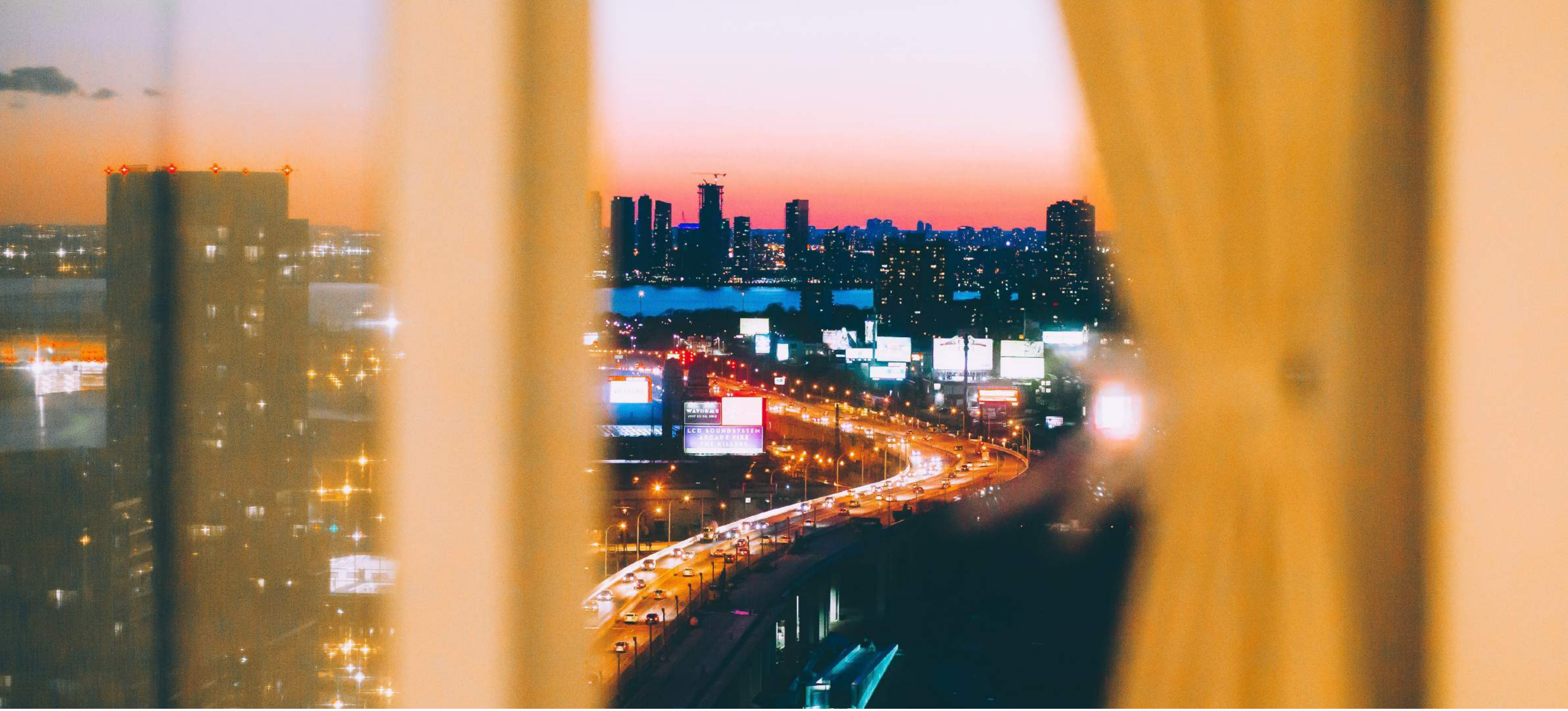
The Board of Directors has overall responsibility for the management of the Company. This includes a responsibility to supervise and exercise control of the Company's activities. The Board has drawn up the rules of procedure for the Board of Directors of Otello. The purpose of these rules of procedure is to set out rules on the work and administrative procedures of the Board of Directors of Otello. The Board of Directors shall, among other things, ensure that the Company's business activities are soundly organized, supervise the Company's day-to-day management, draw up plans and budgets for the Company's activities, keep itself informed on the financial position of the Company, and be responsible for ensuring that the Company's activities, accounts, and asset management are subject to adequate control. In its supervision of the business activities of Otello, the Board of Directors will ensure that:

- The Chief Executive Officer uses proper and effective management and control systems, including systems for risk management, which continuously provide a satisfactory overview of Otello's risk exposure.
- The control functions work as intended and that the necessary measures are taken to reduce extraordinary risk exposure.
- There exist satisfactory routines to ensure follow-up of principles and guidelines adopted by the Board of Directors in relation to ethical behavior, conformity to law, health, safety and working environment, and social responsibility.
- Otello has a proper internal auditing system, capable of producing reliable annual reports.
- Directives from the external auditor are obeyed and that the external auditor's recommendations are given proper attention.

Executive Team

Otello's Board has drawn up instructions for the Executive Team of the Company. The purpose of these instructions is to clarify the powers and responsibilities of the members of the Executive Team and their duty of confidentiality.

The Executive Team conducts an annual strategy meeting with the Board of Directors. The strategy meeting focuses on product, sales, marketing, financial, orga-



nizational and the corporate development strategy for the Group.

The Board of Directors has ensured that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The Company has performed a scoping of the financial risks in the Company and has established written control descriptions and process descriptions. The controls are executed on a monthly, quarterly or yearly basis, depending on the specific control. The internal controls and systems also encompass the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility. The Board of Directors carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. In 2017, all Board members confirmed that they had read and complied with the Code of Conduct during the term of their directorship.
The Group's CFO is responsible for the Group's control functions for risk management and internal control. Otello publishes four interim financial statements in addition to the annual report. The financials are published on the Oslo Stock Exchange. Given the importance of providing accurate financial information, a centralized corporate control function and risk management function has been established ultimately consisting of the group corporate and business controllers. The corporate and business controller tasks are, among other things, to perform management's risk assessment and risk monitoring across the group's activities, to administer the Company's value-based management system and to coordinate planning and budgeting processes and internal controls reporting to the Board of Directors and Executive Team. The corporate and business controllers report into the CFO.

The Finance department prepares financial reporting for the Group and ensures that reporting is in accordance with applicable laws, accounting standards, established accounting principles and the Board's guidelines. The Finance department provides a set of procedures and processes detailing the requirements with which local reporting units must comply. The Group has established processes and a variety of control measures that will ensure quality assurance of financial reporting. A series of risk assessment and control measures have been established in connection with the preparation of financial statements. Reporting instructions are communicated to the reporting units each month, following internal meetings when the reporting units have submitted their group reports, and the business controllers have reviewed the reporting package with the purpose of identifying any significant misstatements in the financial statements. Based on the reported numbers from the reporting units, the Finance department consolidates the Group numbers. Several controls are established to ensure the correctness of the consolidation, e.g., control types such as reconciliation, segregation of duties, management review and authorization. The Group CFO, the Group Chief Accounting Officer and leaders of the reporting units are responsible for (i) the ongoing financial reporting and for implementing sufficient procedures to prevent errors in the financial reporting, (ii) identifying, assessing and monitoring the risk of significant errors in the Group's financial reporting, and (iii) implementing appropriate and effective internal controls in accordance with specified group requirements and for ensuring compliance with local laws and requirements. All reporting units have their own management, and the financial functions are adapted to the organization and activities. All monthly and quarterly operations reports are analyzed and assessed relative to budgets, forecasts and historical trends.

The Executive Team analyzes and comments on the financial reporting and business results of the Group on a quarterly basis. Critical issues and events that affect the future development of the business and optimal utilization of resources are identified, and action plans are put in place, if necessary.

The Audit Committee oversees the process of financial reporting and ensures that the Group's internal controls and the risk management systems are operating effectively. The Audit Committee performs a review of the quarterly and annual financial statements, which ultimately are approved by the Board of Directors.

Other guidelines

As an extension of the general principles and guidelines, Otello has drawn up additional guidelines.

Ethical and corporate social responsibility guidelines

The Board of Directors has adopted Ethical and Corporate Social Responsibility Guidelines that contain the basic principles that Otello will follow with respect to our ethical guidelines and our corporate social responsibilities ("CSR"). The guidelines contain the basic principles describing the rules governing business practice, personal conduct, and roles and responsibilities, ultimately describing topics including human rights, employee relations, health, environment & safety, anti-corruption and anti-discrimination. These general principles and guidelines apply to all employees and officers of the Group.

Information security

Otello has guidelines and information policies covering information security roles, responsibilities, training, contingency plans, etc.

Financial policies

Otello has established comprehensive internal procedures and systems to mitigate risks and to ensure reliable financial reporting.

Investor-relations guidelines

Otello is committed to reporting financial results and other relevant information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. To ensure that correct information be made public, as well as ensuring equal treatment and flow of information, the Company's Board of Directors has approved an IR Policy. A primary goal of Otello's investor-relations activities is to provide investors, capital-market players and shareholders with reliable, timely and balanced information for investors, lenders and other interested parties in the securities market, to enhance understanding of our operations.

Remuneration of the Board of Directors

Remuneration for Board members is a fixed annual sum proposed by the Nomination Committee and approved at the Annual General Meeting. The remuneration reflects the responsibility, qualifications, time commitment and the complexity of their tasks in general. No Board members (or any company associated with such member) elected by the shareholders have assumed special tasks for the Company beyond what is described in this document, and no such member (or any company associated with such member) has received any compensation from Otello other than ordinary Board of Directors remuneration. All remuneration to the Board of Directors is disclosed in note 3 to the Annual Report.

A large number of the Company's shareholders are international investors with a different view on some of the recommendations in the Code. Hence, some of Otello's directors carry stock options in the Company, as disclosed in note 3 to the Annual Report. This practice will be further limited in the future, but it will not be excluded as a tool to enhance the interest of any particular international expert or senior executive to join the Board of Directors. Any grant of stock options to Board members will, however, be subject to specific approval by the General Meeting. Any Board member who takes on assignments for the Company in addition to his or her appointment as a Board member will disclose such assignments to the Board of Directors, which will determine the appropriate remuneration for the assignment in question.

Remuneration of the executive personnel

A Remuneration Committee has been established by the Board of Directors. The Committee shall act as a preparatory body for the Board of Directors with respect to (i) the compensation of the CEO and other members of the Executive Team and (ii) Otello's corporate governance policies and procedures, which, in each case, are matters for which the Board of Directors maintains responsibility and decision making.

Details concerning remuneration of the executive personnel, including all details regarding the CEO's remuneration, are given in note 3 to the Annual Report. The performance-related remuneration to executive personnel is subject to an absolute limit. The Board of Directors assesses the CEO and his terms and conditions once a year. The General Meeting is informed about incentive programs for employees, and, pursuant to section 6-16 a) of the Public Limited Companies Act, a statement regarding remuneration policies for the Executive Team will be presented to the General Meeting. The Board of Director's statement on the remuneration of the Executive Team will be a separate appendix to the agenda for the General Meeting. The Company will also normally make clear which aspects of the guidelines are advisory and which, if any, are binding. The General Meeting will normally be able to vote separately on each of these aspects of the guidelines. In addition, the Board of Directors' declaration on the compensation policies of the Executive Team is included in a separate section to the Annual Report.

Information and communications

Communication with shareholders, investors and analysts is a high priority for Otello. The Company believes that objective and timely information to the market is a prerequisite for a fair valuation of the Company's shares and, in turn, the generation of shareholder value. The Company continually seeks ways to enhance our communication with the investment community.

The Otello corporate website (https://www.otellocorp.com/ir) provides the investment community with information about the Company, including a comprehensive investor-relations section. This section includes the Company's investor-relations policy, annual and quarterly reports, press releases and stock-exchange announcements, share price and shareholding information, a financial calendar, an overview of upcoming investor events, and other relevant information.

During the announcement of quarterly and annual financial results, there is a forum for shareholders and the investment community to ask questions of the Company's management team. Otello also arranges regular presentations in Europe and the United States, in addition to holding meetings with investors and analysts. Important events affecting the Company are reported immediately to the Oslo Stock Exchange in accordance with applicable legislation and posted on https://www.otellocorp.com/ir. All material information is disclosed to recipients equally in terms of content and timing.

The Board has further established an IR-policy for contact with shareholders and others beyond the scope of the General Meeting.

Take-overs

The Board of Directors endorses the recommendation of the Code. Otello's Articles of Association do not contain any restrictions, limitations or defense mechanisms on acquiring the Company's shares.

In accordance with the Securities Trading Act and the Code, the Board has adopted guidelines for possible takeovers.

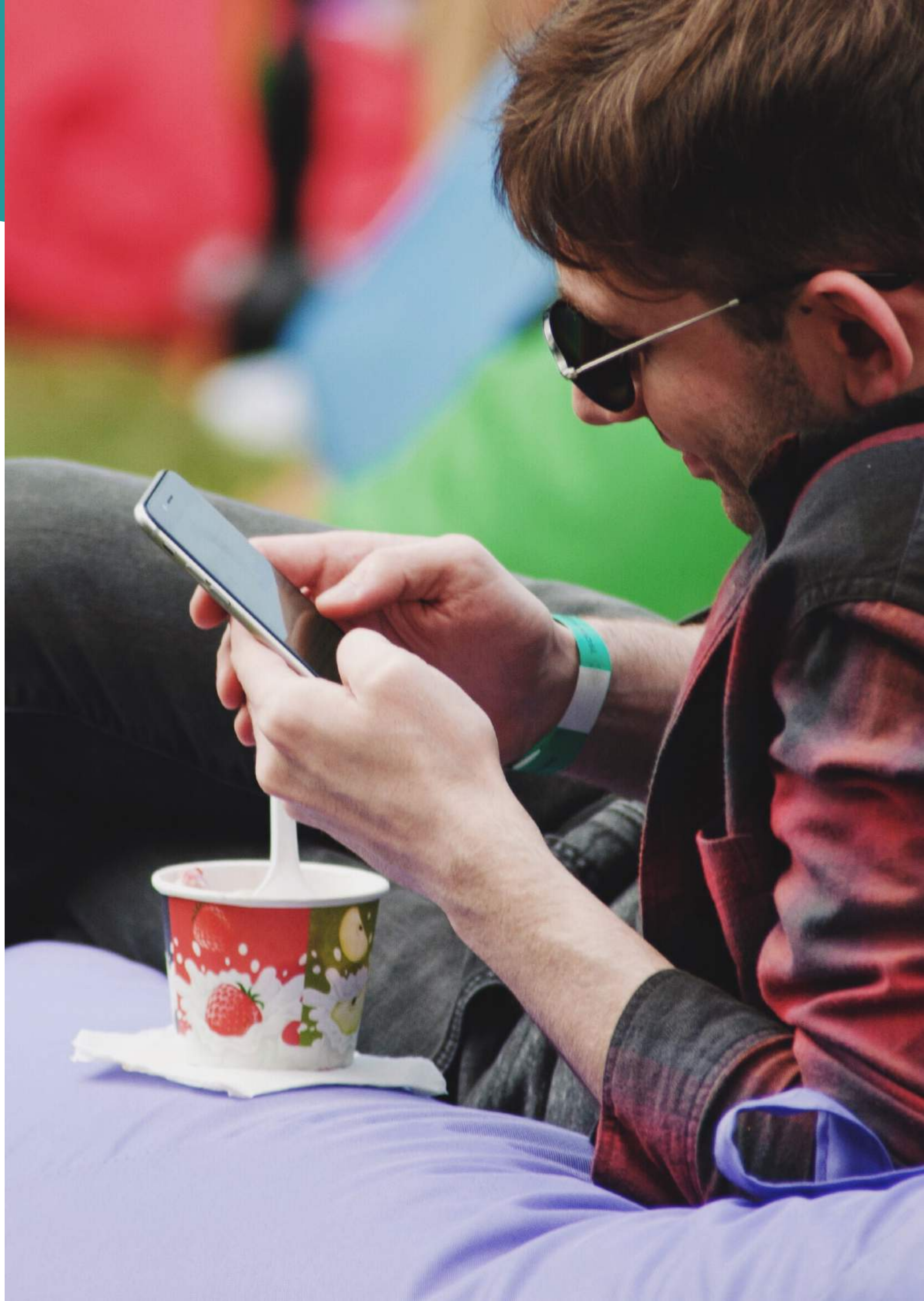
In the event of an offer, the Board of Directors will not seek to hinder or obstruct takeover bids for Otello's activities or shares. Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for the Company's shares will only be entered into where the Board believes it is in the common interest of the Company and its shareholders.

Information about agreements entered into between the Company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same time as the announcement of an impending bid is published.

If an offer is made for the shares of Otello, the Board of Directors will make a recommendation as to whether the shareholders should or should not accept the offer and will normally arrange for a valuation from an independent expert.

Auditor

The auditor participates in meetings of the Board of Directors that deal with the annual accounts, as well as upon special request. Every year, the auditor presents to the Audit Committee a report outlining the audit activities in the previous fiscal year and highlighting the areas that caused the most attention or discussions with management, as well as a plan for the work related to the Company's audit. The auditor also reports on internal control observations during the conduct of the audit, including identified weaknesses and proposals for improvement. The auditor will make himself available upon request for meetings with the Board of Directors during which no member of the executive management is present at least once each year, as will the Board of Directors upon the auditor's request. The General Meeting is informed about the Company's engagement and remuneration of the auditor and for fees paid to the auditor for services other than the annual audit, and details are given in note 3 to the Annual Report.



CONCEPT, TEXT, DESIGN, PROJECT MANAGEMENT, PHOTO, ILLUSTRATIONS: **COXIT // COXIT.NET**

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