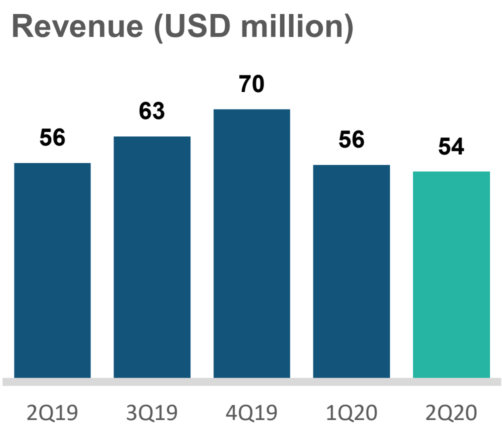
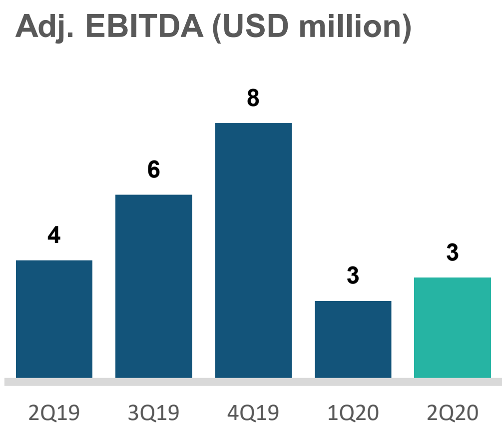
QUARTERLY REPORT

2Q 2020

OTELLO CORPORATION ASA





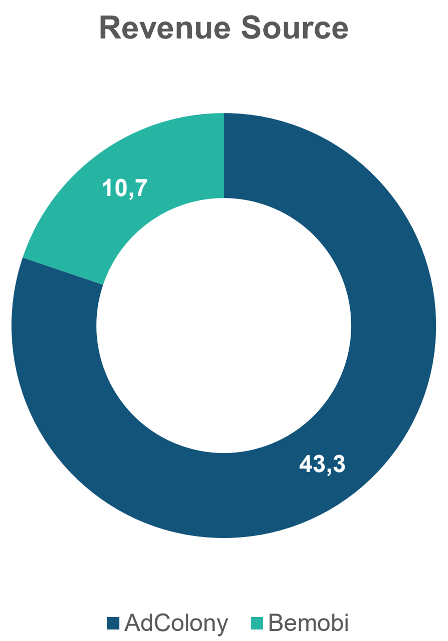
HIGHLIGHTS

- Revenue was down by 4 percent vs 2Q19 to USD 54.0 million (USD 56.2 million), with growth in AdColony offset by a decline in Bemobi

- Adjusted EBITDA* down 11% to USD 3.5 million in 2Q20 (USD 3.9 million) with growth in AdColony offset by a decline in Bemobi

- Net income was USD (7.6) million in 2Q20 versus USD (7.0) million in 2Q19

- Operating cash flow was USD 3.0 million in 2Q20 versus USD (2.8) million in 2Q19



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

Key figures (USD million)	**2Q20**	**2Q19**	**YTD 2020**	**YTD 2019**
Revenue	**54.0**	**56.2**	**109.7**	**107.7**
AdColony (Mobile Advertising)	43.3	42.5	85.9	80.6
Bemobi (Apps & Games)	10.7	13.9	23.8	26.6
Corporate	0.1	0.1	0.1	0.7
Adj. EBITDA	**3.5**	**3.9**	**6.1**	**5.3**
AdColony (Mobile Advertising)	0.5	(1.0)	(0.7)	(3.6)
Bemobi (Apps & Games)	4.0	6.0	9.1	11.1
Corporate	(1.1)	(1.2)	(2.3)	(2.2)
EBIT	(2.0)	(4.2)	(7.0)	(11.5)
Net income	(7.6)	(7.0)	0.8	(16.8)
EPS (USD)	(0,06)	(0,05)	0,01	(0,12)

GROUP PERFORMANCE

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

Development during the quarter

Revenue was down by 4 percent to USD 54.0 million in 2Q20 (USD 56.2 million), with revenue growth from AdColony offset by decline in Bemobi. Overall revenue (in local currency) was in line with expectations for the quarter with AdColony slightly ahead and Bemobi slightly behind. Both AdColony and Bemobi are impacted by Covid 19 but performing broadly in line with what we had expected. Brazil is the biggest market for Bemobi and has been hit particularly hard by Covid 19, and we have also seen a slower ramp of revenue. AdColony is impacted by overall lower economic activity and businesses which have been interrupted and thus reduced their advertising spend. We have however seen a nice ramp in revenue since April and 2Q20 came in slightly above expectations.

Revenue for Bemobi was USD10.7 million for the quarter which was down 23% from 2Q19 but would have been down 3% with like for like FX rates. Adjusted EBITDA was USD 4.0 million down 34% vs 2Q19, which would have been down 12% with like for like FX rates.

Revenue for AdColony was up 2% versus 2Q19 with continued softness in our Performance business more than offset by strong brand revenue and programmatic revenue in particular. Gross margin was down slightly due to mix to more programmatic revenue, but was more than offset by lower Opex which resulted in a swing from negative Adj. EBITDA of USD 1 million in 2Q19 to a positive USD 0.5 million in 2Q20

Total operating expenses (including depreciation and stock-based compensation expenses but excluding restructuring expenses) decreased by 2% vs 2Q19 with significant savings in payroll expenses due to lower bonus payments.

Publisher and revenue share cost was USD 32.5 million in the quarter (USD 31.9 million), up 2 percent from the corresponding period last year due to revenue growth in AdColony.

Payroll and related expenses, excluding stock-based compensation expenses, were USD 9.6 million in the quarter, versus USD 12.1 million in 2Q19, down 21 percent from the corresponding period last year due to lower bonus payment in AdColony and positive FX impact in Bemobi for our payroll in Brazil. In addition, AdColony continues to streamline its operation by merging the demand side for Brand and Performance in addition to moving non-customer facing roles to lower-cost locations.

Stock-based compensation expenses were USD 0.6 million in the quarter compared to USD 1.0 million in 2Q19.

Depreciation and amortization expenses were USD 6.1 million in the quarter (USD 6.4 million), slightly down versus the corresponding period last year with a reduction in overall depreciation and amortization from intangible assets in AdColony, partly offset by an increase in depreciation and amortization from intangible assets in Bemobi.

Other operating expenses were USD 8.5 million in the quarter (USD 8.3 million), up 2 percent from the corresponding period last year due to higher headcount related expenses in AdColony and Bemobi, offset by overall measures taken, including more efficient delivery of backend ad serving for AdColony.

Adjusted EBITDA and EBITDA

Adjusted EBITDA

Adjusted EBITDA was USD 3.5 million in 2Q20, compared to USD 3.9 million in the corresponding period in 2019, with improvement in AdColony offset by lower Adj. EBITDA in Bemobi, mainly due to adverse FX impact.

EBITDA

EBITDA was USD 4.0 million in 2Q20, up from USD 2.2 million in the corresponding period in 2019.

Net financial items

Otello recognized a loss from net financial items in the quarter of USD 9.9 million, compared to a loss of USD 2.5 million in the corresponding period last year. The loss is predominantly related to FX, due to a weaker USD vs NOK.

Net income

2Q20 net income was USD (7.6) million compared to USD (7.0) million in the corresponding period last year. EPS and fully diluted EPS were USD (0.06) and USD (0.06), respectively, in the second quarter 2020, compared to USD (0.05) and USD (0.05), respectively, in the second quarter 2019.

Financial position and cash flow

Otello's net cash flow from operating activities was USD 3.0 million in 2Q20, compared to USD (2.8) million in 2Q19, with solid cash collection in the quarter. Cash flow from investment activities amounted to USD (2.9) million, vs USD (6.0) million from the corresponding quarter last year. USD (2.4) million relates to capitalized R&D and USD (0.4) million related to purchases of property, plant and equipment (PP&E) and intangible assets. Cash flow from financing activities amounted to USD (1.3) million, with USD (0.7) million in expenses from payments on RCF, USD (0.6) million related to payment of office leases and USD 0.1 million in proceeds from exercise of treasury shares.

Cash and cash equivalents at the end of the 2Q20 were USD 33.5 million compared to USD 16.7 million in 2Q19. At the end of the second quarter of 2020, Otello had USD 30 million in interest-bearing debt. In 2018, Otello signed a 3-year revolving credit facility of USD 100 million, of which USD 30 million was drawn at the end of the quarter. In March 2020, Otello signed an amendment to the 3-year Revolving Credit Facility (RCF) agreement of 2018 with DNB Bank ASA, reducing the facility to USD 50 million. However, as part of this amendment, Otello has, in addition, secured a payment guarantee of an amount equal to USD 18.6 million in favor of Pedro Ripper, CEO of Bemobi (on behalf of the former owners of Bemobi), in order to support Otello's earn-out obligations under the agreement signed between Bemobi Holding AS, the holding company of Otello's Bemobi business, and the formers owners of Bemobi originally dated 28 May 2018 and amended on 10 January 2020.

The company's equity was USD 303.8 million at the end of the quarter, corresponding to an equity ratio of 77.0%.

Organization

At the end of the 2Q20, Otello had 603 full-time employees and equivalents.

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

(USD million)	2Q20	2Q19	YTD 2020	YTD 2019
Revenue	**43.3**	**42.5**	**85.9**	**80.6**
Performance	13.3	16.2	27.2	33.1
Brand-Managed IO	13.5	15.5	27.6	27.2
Brand-Performance	4.6	5.7	9.3	11.1
Brand-Programmatic	11.9	5.1	21.8	9.3
Gross Profit	**14.2**	**14.7**	**28.8**	**27.7**
Adj. EBITDA	0.5	(1.0)	(0.7)	(3.6)
EBITDA	1.8	(1.2)	0.4	(3.8)
EBIT	(2.8)	(6.1)	(9.3)	(14.5)

AdColony is a leading mobile advertising platform dedicated to delivering authentic advertising experiences across today's top apps. Trusted by Fortune 500 brands and the top-grossing mobile publishers, AdColony helps drive meaningful outcomes for advertisers at scale with the highest quality ads and the highest verified viewability rates on the most viewed and most important screen in consumers' lives.

In 2Q20, AdColony bucked the trend in media and mobile ads in general and delivered solid results despite the COVID-19 pandemic softening demand for consumer ads for the quarter. As delved into extensively by AdColony, the global pandemic pushed consumers to their homes where the use of mobile apps and games skyrocketed. This gave AdColony a unique opportunity to leverage its already valuable audiences even more frequently and extensively than would usually be the case.

Most of the AdColony workforce remains in work-from-home arrangements across the globe currently. While some offices in regions where the spread of COVID-19 is mostly under control have had soft reopening where employee attendance is optional, North American offices remain fully closed.

Despite many consumers around the globe not commuting as much during 2Q20 during general stay-at-home orders and directives, global mobile use and mobile gaming usage stayed mostly flat and even increased in some genres and categories. This provided AdColony's advertiser clients more opportunities than are historically present during the second quarter of the year, leading to the positive results.

Financial Overview

Overall, AdColony's revenue for the quarter was USD 43.3 million, up by 2% compared to 2Q19. It cannot be emphasized enough that this is *in spite of* the global pandemic that hit many of AdColony's competitors hard. Despite brands and agencies continuing to make cuts to their budgets in response to global physical distancing and shelter-in-place orders worldwide, AdColony continued its turnaround by leveraging its unique advantage in owned supply and the strength of its programmatic demand and supply partnerships.

Operating expenses were down USD 2 million in AdColony in 2Q20 versus 2Q19, with positive impact from both streamlining our sales organization by merging Brand and Performance. In addition, due to lower expectations for 2Q20, due to Covid-19, versus the original annual plan a one-time cut to bonuses was made across AdColony in the quarter.

Adjusted EBITDA amounted to USD 0.5 million in the quarter, an improvement versus USD (1.0) million in 2Q19. Gross margin for the quarter was 32.8% versus 34.5% in 2Q19, negatively impacted by lower gross margin in our Performance business (although up from 1Q20) and the revenue mix with more revenue being delivered programmatically.

Brand/Exchange

AdColony has been giving brands like Coca-Cola, Unilever, Samsung, and many more well-known brands the opportunity to reach consumers in the fastest-growing consumer channel for years thanks to our SDK via both direct-sold and open exchange programmatic channels. As detailed in our 1Q20 report, AdColony's unique position as an ad network in mobile, where usage grew globally during global "curve flattening" measures, gave it a distinct advantage compared to CTV/OTT, DOOH, and other digital advertising channels.

Overall, AdColony's brand business brought in USD 30 million, up 14% versus 2Q19. AdColony's brand business continues to be a source of strength for the company, even during a global pandemic that saw significant drops in business amongst several large competitors.

On a regional basis, North American Brand delivered USD 19.3 million, up 25% versus 2Q19. Strong relationships and quick client engagement pivots during stay-at-home orders across North America led to continued demand across the region. Work-from-home promotional swag kits and webinar-based client activities such as Zoom Yoga and happy hours continued to strengthen client relations even though the standard method of business was disrupted.

EMEA Brand revenue was USD 8.7 million in the quarter, an increase of 7% versus 2Q19, thanks to the steady growth of AdColony's core business. This growth includes the addition of the standard AdColony brand advertising business in Nordic countries, supplementing the high-margin relationship with LinkedIn that has been the primary driver of revenue from these countries over the past few years.

Across APAC, investments in growing the business in new markets continue. The region was hit particularly hard by Covid-19, which led to revenue of USD 2.6 million, down 7 % versus 2Q19.

Performance

At AdColony, the term "performance" encompasses our mobile gaming user acquisition (UA) business. For most mobile app developers, new users come from advertising in other apps, and monetizing those users comes from integrating ads.

During the second quarter of 2020, AdColony's performance business delivered revenue of USD 13.3 million globally, down 18% versus 2Q19, but on par with the last two quarters.

The second quarter of 2020 included further realignment of our performance sales organization globally, with all North American performance sales and business development reporting to North America GM, and EMEA and APAC performance now reporting to GM, EMEA & LATAM. This change will allow superior alignment of demand and supply globally.

Publishing

Publishing is AdColony's SDK monetization business, enabling its advertisers, both brand and performance, to serve ads. AdColony's SDK also allows programmatic demand access to its inventory, giving publishers the world over the most accessible access to the highest possible demand mix via our open exchange and direct-sold campaigns.

Penetration of our SDK version 4 or newer achieved 87% of total impressions and 90% of our total revenue by the end of 2Q20. SDK 4.2 provides privacy updates by supporting CCPA, and additional COPPA controls to comply with the latest privacy regulations. The publishing team will be driving further penetration of SDK 4 with our latest version

4.3 launched in August, which supports iOS 14.

There has been continued progress in supporting advanced bidding within the publishing community. Over 550 publishers and over 3,100 apps are working with AdColony in this capacity representing roughly one-third of our total ad spend. As an early advocate of this technology, AdColony continues to support and evolve our offering and roll out our Advanced Bidding 3.0 technology in 3Q20.

AdColony continues to add new supply to support our growth. Key publishers added in 2Q20 include Snail Technology, Essentials Tech, Tilting Point, and hypercasual publisher Boombit, who, during the quarter, joined with AdColony for the educational “Leveling Up Hypercasual” video series on the potential of the hypercasual games market for developers and advertisers.

Product Update

AdColony’s SDK engineers completed SDK updates to ensure compliance with the California Consumer Privacy Act (CCPA) by adopting the IAB TCF 2.0 framework. AdColony launched these features in late 2Q20 with SDK 4.2, with work quickly pivoting to the support of iOS 14 and Apple’s updated privacy and attribution requirements with SDK 4.3 (below).

Apple announced iOS 14 its Worldwide Developer Conference (WWDC) in June. The most significant user-facing change as part of Apple’s new approach to privacy under iOS 14 is that users will be given a simple prompt asking them to opt-in to share their data on an app-by-app basis. Ad networks like AdColony that are prepared to deal with a more varied targeting mix of app audience-based contextual targeting boosted by smaller user-based targeting will come out on top. Mobile games have the power to reach more consumers in more places, and knowing the right apps is key to success in the IDFA-less and browser cookieless world. AdColony’s strong history of performance advertising from the very birth of the App Store and experience in optimizing campaigns via contextual signals will help AdColony adjust to this new reality better than most competitors.

Bemobi (Apps & Games)

(USD million)	2Q20	2Q19	YTD 2020	YTD 2019
Revenue	**10.7**	13.9	**23.8**	26.6
Gross Profit	**7.3**	9.6	**16.2**	17.9
Adj. EBITDA	**4.0**	6.0	**9.1**	11.1
EBITDA	**3.7**	5.1	**8.2**	9.6
EBIT	**2.4**	3.8	**5.3**	7.2

Business Overview

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

In 2019, Bemobi consolidated its leading position in the subscription-based premium application distribution space across most emerging economies.

Bemobi is a so-called B2B2C company. Instead of selling directly to a consumer, or traditional B2C, Bemobi typically partners with large companies, mostly mobile carriers or in some cases smartphone OEMs.

Through partnerships with these companies, Bemobi can offer its service to the consumers. Bemobi ended 2Q20 with 69 active operator agreements, of which 48 are outside LATAM, making it possible to offer subscription-based services providing access to apps and games to over 2.2 billion consumers.

In order to acquire new users to its subscription services, Bemobi developed and operates in partnership with mobile carriers' digital channel platforms that are highly scalable while at the same time very targeted. This mobile digital channel platform is called Bemobi Loop and it allows Bemobi to orchestrate which services are offered to each user at which time. Through this platform Bemobi can scale its subscriber growth at a sustainable cost of acquisition in markets where traditional online media might not provide a payback.

Financial Overview

Revenue decreased by 23% percent YoY to USD 10.7 million. Revenue was negatively impacted by the BRL depreciating in value vs the USD and FX neutral revenue would have been USD 13.5 million, down by 3% YoY. 2Q20 saw significant negative impact from Covid-19, in Brazil in particular, where a reduction in available income and closed stores reduced the frequency and value of the consumers top-up amount and spend. Of the revenue in 2Q20, 69% percent came from LATAM while 31% came from international markets.

The 2Q20 gross margin for Bemobi was 67.8%, 1.5 bps lower than the same period last year (69.3%), negatively impacted by Covid-19 situation and revenue mix.

Subscriber growth continued YoY. LATAM subscribers were up from 19.1 million in 2Q19 to 21.4 million in 2Q20 (up 12%) with strong growth from new services such as Voice (IVR) and Financial services. International subscribers rose from 8.3 million in 2Q19 to 10.4 million in 2Q20 (up 26%) driven by growth in subscribers

AppsClub, Kids Club, Health Club and other services.

Revenue from LATAM was USD 7.0 million in 2Q20, down 33% versus 2Q19. The revenue was adversely impacted by a weaker BRL vs USD and would have been USD 9.6 million, down 8% compared to 2Q19 with unchanged FX rates. International revenue was USD 3.7 million in 2Q20 compared to USD 3.4 million in 2Q19, up approximately 9%, and would have been USD 3.9 million, up 13% compared to 2Q19 with unchanged FX rates.

Adjusted EBITDA fell from USD 6.0 million in 2Q19 to USD 4.0 million in 2Q20 a decrease of 34%. Adj. EBITDA would have been USD 5.3 million 2Q20 with same FX rates as in 2Q19 (down 12%).

Product update

Bemobi continues to run third party paid advertising on our (No Data No Credit) NDNC portal in Ncell in Nepal and we have now extended paid advertising to other NDNC portals with two operators in Pakistan and one operator in Tanzania. More operators are expected to follow soon.

Bemobi is also bundling 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 distribution model represents an alternative incremental revenue line that helped to drive growth and diversify the revenue mix.

On the new acquisition channels development front, Bemobi is investing in expanding its No Credit and No Data web captive portal to include an interactive voice portal platform. This new interactive voice platform is now live in four of the largest carriers in Brazil and shows a lot of promise as Bemobi prepares to scale this new channel internationally.

In international markets, we continue to launch Apps Clubs having launched Beeline Uzbekistan and Telkom South Africa in 2Q20 and also rolling out several new products. As per 2Q20, 12 Health Clubs have now been launched in total along with 18 Kids Clubs, and we will proceed with launches in other international markets. In addition, several standalone subscription services have been launched in 2Q20 such as Busuu Language learning in Vodafone Ukraine, Football Fantasy League in Telenor Pakistan and Bitdefender Security in Beeline Russia.

Bemobi have now launched 16 NDNC portals outside LATAM, with the following operators:

- Banglalink Bangladesh
- Grameenphone (Telenor) Bangladesh
- Robi Bangladesh
- Idea India
- Vodafone India
- MTS Belarus
- Ncell Nepal
- Tele2 Russia
- Vodacom Tanzania
- Vodafone Ukraine
- Jazz Pakistan
- Telenor Pakistan
- Telenor Myanmar
- Smart Cambodia (2Q20)
- Indosat Indonesia (2Q20)
- Rostelekom Russia (2Q20)

Outside LATAM, 35% of the subscribers come from the NDNC portals as per 2Q20. The expansion of the NDNC portals and the new Voice Portals (both part of the broader Loop platform) are key elements in order to build a sustainable and profitable growth model for our subscription services.

OUTLOOK

Otello’s strategic focus is to develop unique and relevant products, and scalable business models which combined should generate revenue growth and margin expansion. Otello remains positive about the Group’s overall growth prospects, with the following perspective on the Group as a whole:

AdColony operates in a global advertising industry which continues to experience a macro shift in advertising spend from traditional channels to digital online channels. AdColony is well-positioned to take advantage of the macro trends and become the highest quality mobile advertising platform in the world. Otello expects AdColony revenue to grow by 10% in 2020 versus 2019 driven by our Brand and Programmatic business. Longer-term growth will be driven by our move to the more automated delivery of ads and new technology and standardization which enables additional ad formats and provides the possibility to tap into new markets.

Bemobi operates in a rapidly growing market of app subscriptions. It takes advantage of the increased use of mobile phones combined with the low penetration of credit cards in emerging markets. Otello expects to see revenue and Adj. EBITDA flat to up 5% in local currency in 2020 versus 2019 with positive contribution from new services and continued global rollout offset by negative impact from Covid-19 .

Otello’s revenue is linked to the advertising spend of brands and game developers (AdColony) and subscriptions bought by consumers (Bemobi), and we expect Covid-19 to negatively impact revenue and profit in 2020. At this stage, it is still too early to tell how great this impact will be. Ultimately, it will be linked to the duration of the crisis and the knock-on effect of the changed behavior of our customers. The continued impact of Covid-19 therefore poses risks to the 2020 guidance provided above.

Oslo, August 19, 2020
The Board of Directors
Otello Corporation ASA

Andre Christensen
Chairman
(sign.)

Lars Boilesen
CEO
(sign.)

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

Key financial figures

Continuing operations (USD million, except earnings per share)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)
Revenue	**54.0**	56.2	**109.7**	107.7
Gross profit	**21.5**	24.3	**45.1**	46.3
Net income [1]	**(7.6)**	(7.0)	**0.8**	(16.8)
Adjusted EBITDA [2]	**3.5**	3.9	**6.1**	5.3
EBITDA	**4.0**	2.2	**5.9**	1.9
Normalized EBIT [3]	**(2.5)**	(2.3)	**(6.6)**	(7.6)
EBIT	**(2.0)**	(4.2)	**(7.0)**	(11.5)
EPS (USD)	**(0.06)**	(0.05)	**0.01**	(0.12)
EPS, fully diluted (USD)	**(0.06)**	(0.05)	**0.01**	(0.12)
Cash flow from operating activities	**2.2**	(2.8)	**8.8**	(4.5)
Cash flow from investment activities	**(2.9)**	(6.0)	**(6.0)**	(8.9)
Cash flow from financing activities	**(0.6)**	(1.4)	**8.2**	(2.8)

Segment information Revenue (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)
AdColony (Mobile Advertising)	**43.3**	42.5	**85.9**	80.6
Bemobi (Apps & Games)	**10.7**	13.9	**23.8**	26.6
Corporate	**0.1**	0.1	**0.1**	0.7
Eliminations	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Total Continued Operations [4]	**54.0**	56.2	**109.7**	107.7

Segment information Adjusted EBITDA [2] (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)
AdColony (Mobile Advertising)	**0.5**	(1.0)	**(0.7)**	(3.6)
Bemobi (Apps & Games)	**4.0**	6.0	**9.1**	11.1
Corporate	**(1.1)**	(1.2)	**(2.3)**	(2.2)
Eliminations	**0.0**	(0.0)	**0.0**	(0.0)
Total Continued Operations (with ICP) [4]	**3.5**	3.9	**6.1**	5.3
Eliminations	**0.0**	0.0	**0.0**	0.0
Total Continued Operations (net of ICP)	**3.5**	3.9	**6.1**	5.3

[1] Net Income corresponds to Profit (loss) in the Consolidated statement of comprehensive income
[2] excluding impairment and restructuring, and stock-based compensation expenses
[3] excluding impairment and restructuring expenses, and amortization of acquired intangible assets
[4] including intercompany postings (ICP) against discontinued operations.
See Note 9 for further explanation of alternative performance measures (APM)

Interim condensed financial statements

Consolidated statement of comprehensive income

(USD million, except earnings per share)	Note	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	% change	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)	% change
Continuing operations							
Revenue	3, 5, 11	**54.0**	56.2	-4 %	**109.7**	107.7	2 %
Total operating revenue		**54.0**	56.2	-4 %	**109.7**	107.7	2 %
Publisher and revenue share cost	3, 5, 11	**(32.5)**	(31.9)	2 %	**(64.6)**	(61.4)	5 %
Payroll and related expenses	3, 5, 11	**(9.6)**	(12.1)	-21 %	**(22.5)**	(24.6)	-9 %
Stock-based compensation expenses	3, 5, 11	**(0.6)**	(1.0)	-41 %	**(1.2)**	(2.1)	-42 %
Depreciation and amortization expenses	3, 5, 11	**(6.1)**	(6.4)	-5 %	**(12.9)**	(13.4)	-3 %
Other operating expenses	3, 5, 11	**(8.5)**	(8.3)	2 %	**(16.5)**	(16.4)	1 %
Total operating expenses		**(57.2)**	(59.7)	-4 %	**(117.8)**	(117.9)	0 %
Operating profit (loss), (EBIT), excluding impairment and restructuring expenses		**(3.2)**	(3.5)		**(8.1)**	(10.2)	
Impairment and restructuring expenses	13	**1.2**	(0.6)		**1.0**	(1.3)	
Operating profit (loss), (EBIT)		**(2.0)**	(4.2)		**(7.0)**	(11.5)	
Net financial items	6	**(9.9)**	(2.5)		**8.8**	(4.4)	
Profit (loss) before income tax		**(11.9)**	(6.7)		**1.8**	(15.9)	
Provision for taxes [1)]		**4.3**	(0.3)		**(1.0)**	(0.9)	
Profit (loss)		**(7.6)**	(7.0)		**0.8**	(16.8)	
Discontinuing operations							
Profit (loss) from discontinuing operations, net of tax		-	-		-	-	
Profit (loss) from discontinuing operations		-	-		-	-	
Items that may or will be transferred to profit (loss)							
Foreign currency translation differences		**6.3**	2.9		**(37.0)**	3.2	
Discontinuing operations - reclassified to profit (loss)		-	-		-	-	
Total comprehensive income (loss)		**(1.2)**	(4.1)		**(36.2)**	(13.6)	
Earnings (loss) per share:							
Basic earnings (loss) per share (USD)		**(0.06)**	(0.05)		**0.01**	(0.12)	
Diluted earnings (loss) per share (USD)		**(0.06)**	(0.05)		**0.01**	(0.12)	
Shares used in earnings per share calculation		**137,544,264**	139,984,386		**137,705,818**	138,400,532	
Shares used in earnings per share calculation, fully diluted		**137,544,264**	139,984,386		**137,705,818**	138,400,532	
Earnings per share (continuing operations):							
Basic earnings (loss) per share (USD)		**(0.06)**	(0.05)		**0.01**	(0.12)	
Diluted earnings (loss) per share (USD)		**(0.06)**	(0.05)		**0.01**	(0.12)	
Shares used in earnings per share calculation		**137,544,264**	139,984,386		**137,705,818**	138,400,532	
Shares used in earnings per share calculation, fully diluted		**137,544,264**	139,984,386		**137,705,818**	138,400,532	

[1)] *The quarterly and YTD provision for taxes is based on an estimated tax rate for the Group.*

Consolidated statement of financial position

(USD million)	Note	6/30/2020 (Unaudited)	6/30/2019 (Unaudited)	12/31/2019 (Audited)
Assets				
Deferred tax assets		**26.8**	38.8	32.2
Goodwill		**218.1**	232.9	230.7
Intangible assets		**14.8**	25.2	22.4
Property, plant and equipment		**5.7**	8.8	8.0
Right of use assets	10	**3.6**	4.3	4.6
Contract assets - sublease	10	**0.2**	2.5	1.9
Other investments	12	**16.9**	14.7	16.8
Other non-current assets		**0.3**	0.6	0.5
Total non-current assets		**286.4**	327.7	317.2
Accounts receivable	8	**62.8**	64.5	80.9
Contract assets - sublease	10	**1.4**	0.7	0.5
Other receivables	8	**10.6**	11.3	8.6
Cash and cash equivalents	7	**33.5**	16.7	28.3
Total current assets		**108.3**	93.3	118.2
Total assets		**394.7**	421.0	435.4

(USD million)	Note	6/30/2020 (Unaudited)	6/30/2019 (Unaudited)	12/31/2019 (Audited)
Shareholders' equity and liabilities				
Equity attributable to owners of the company		**304.3**	350.0	337.2
Non-controlling interests	4	**(0.5)**	1.7	1.9
Total equity		**303.8**	351.7	339.1
Liabilities				
Deferred tax liability		**0.0**	0.1	0.0
Lease liabilities	10	**1.5**	3.3	3.0
Loans and borrowings	7	**30.0**	-	20.0
Other non-current liabilities		**1.1**	0.7	1.1
Contingent consideration, non-current	4	-	-	-
Total non-current liabilities		**32.6**	4.2	24.1
Loans and borrowings	7	-	-	-
Lease liabilities	10	**3.5**	4.3	4.0
Accounts payable		**19.4**	21.4	22.8
Taxes payable		**0.8**	(0.9)	0.5
Public duties payable		**0.3**	1.7	1.4
Deferred revenue		**0.7**	1.3	1.3
Stock-based compensation liabilities		**0.0**	0.0	0.0
Other current liabilities		**33.3**	36.8	41.6
Contingent consideration, current	4	**0.2**	0.5	0.5
Total current liabilities		**58.3**	65.1	72.1
Total liabilities		**90.9**	69.3	96.3
Total equity and liabilities		**394.7**	421.0	435.4

Consolidated statement of cash flows

(USD million)	Note	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)
Cash flow from operating activities					
Profit (loss) before taxes		**(11.9)**	(6.7)	**1.8**	(15.9)
Income taxes paid		**(0.0)**	0.0	**0.4**	(0.5)
Depreciation and amortization expense		**6.1**	6.4	**12.9**	13.4
Net (gain) loss from disposals of PP&E, and intangible assets		**0.0**	0.0	**0.0**	0.1
Changes in inventories, trade receivables, trade and other payables		**2.3**	(3.9)	**9.8**	(0.6)
Other net finance items		**0.9**	0.1	**1.0**	0.2
Changes in other operating working capital		**(4.1)**	(0.8)	**(8.0)**	(6.9)
Share-based remuneration		**0.6**	1.3	**1.2**	2.5
Net (gain) loss from disposals of subsidiaries and other share investments		**0.0**	0.0	**0.0**	0.0
FX differences related to changes in balance sheet items		**9.1**	0.9	**(9.5)**	3.1
Net cash flow from operating activities		**3.0**	(2.8)	**9.6**	(4.5)
- of which included in continuing operations		*3.0*	*(2.8)*	*9.6*	*(4.5)*
- of which included in discontinuing operations		-	-	-	-
Cash flow from investment activities					
Proceeds from sale of property, plant, and equipment (PP&E) and intangible assets		**0.1**	0.0	**0.0**	0.0
Purchases of property, plant and equipment (PP&E) and intangible assets		**(0.4)**	0.1	**(0.7)**	(0.3)
Capitalized R&D costs		**(2.4)**	(2.5)	**(5.0)**	(5.0)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed		-	-	-	5.6
Purchases of subsidiaries and associated companies, net of cash acquired	4	**(0.2)**	(3.6)	**(0.2)**	(3.6)
Net cash flow from investment activities		**(2.9)**	(6.0)	**(6.0)**	(3.3)
- of which included in continuing operations		*(2.9)*	*(6.0)*	*(6.0)*	*(8.9)*
- of which included in discontinuing operations		-	-	-	5.6
Cash flow from financing activities					
Proceeds from exercise of treasury shares (incentive program)		**0.1**	-	**0.1**	-
Purchase of treasury shares		**(0.0)**	(0.6)	**(0.4)**	(1.1)
Proceeds from issuance of shares, net (equity increase)		**0.0**	(0.0)	**(0.0)**	(0.0)
Proceeds from loans and borrowings	7	**0.0**	-	**10.0**	-
Repayments of loans and borrowings	7	**(0.7)**	-	**(0.7)**	-
Payment of finance lease liabilities	10	**(0.6)**	(0.8)	**(1.4)**	(1.6)
Net cash flow from financing activities		**(1.3)**	(1.4)	**7.5**	(2.8)
- of which included in continuing operations		*(1.3)*	*(1.4)*	*7.5*	*(2.8)*
- of which included in discontinuing operations		-	-	-	-
Net change in cash and cash equivalents		**(1.2)**	(10.2)	**11.1**	(10.6)
Cash and cash equivalents (beginning of period)		**35.0**	26.6	**28.3**	27.5
Effects of exchange rate changes on cash and cash equivalents		**(0.3)**	0.3	**(5.8)**	(0.2)
Cash and cash equivalents [1]		**33.5**	16.7	**33.5**	16.7
- of which included in cash and cash equivalents in the balance sheet		**33.5**	16.7	**33.5**	16.7
- of which included in the assets of the disposal group (assets held for sale)		-	-	-	-

[1] *Of which $0.8 (6/30/2019: $0.8) million is restricted cash and cash equivalents as of June 30, 2020.*

Consolidated statement of changes in equity

(USD million) (Unaudited)	Number of shares	Paid-in capital	Other reserves	Reserve for own shares	Translation reserve	Other equity	Non-controlling interests	Total equity
Equity as of 12/31/2019	**137.9**	**348.1**	**53.6**	**(67.6)**	**(14.1)**	**17.2**	**1.9**	**339.1**
Comprehensive income (loss)								
Profit (loss)		-	-	-	-	0.4	0.5	0.8
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	(34.1)	-	(2.9)	(37.0)
Total comprehensive income (loss)		**-**	**-**	**-**	**(34.1)**	**0.4**	**(2.5)**	**(36.2)**
Contributions by and distributions to owners								
Dividends		-	-	-	-	-	-	-
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-	-
Issuance of ordinary shares related to incentive program		-	-	-	-	-	-	-
Issuance of ordinary shares related to equity increase		(0.0)	-	-	-	-	-	(0.0)
Capital decrease		-	-	-	-	-	-	0.0
Treasury shares purchased	**(0.4)**	-	-	(0.4)	-	-	-	(0.4)
Treasury shares sold	**0.0**	-	-	0.1	-	-	-	0.1
Tax deduction on equity issuance costs		-	-	-	-	-	-	0.0
Share-based payment transactions		-	1.2	-	-	-	-	1.2
Total contributions by and distributions to owners	**(0.3)**	**(0.0)**	**1.2**	**(0.4)**	**-**	**-**	**-**	**0.8**
Other equity changes								
Divestment of a subsidiary		-	-	-	-	-	-	0.0
Other changes		-	(0.0)	-	-	0.0	-	0.0
Total other equity changes		**-**	**(0.0)**	**-**	**-**	**0.0**	**0.0**	**0.0**
Equity as of 6/30/2020	**137.6**	**348.1**	**54.8**	**(68.0)**	**(48.2)**	**17.5**	**(0.5)**	**303.8**

Non-controlling interests
On May 29, 2018, Otello Corporation ASA divested 11.2% of the shares in Bemobi Holding AS. Please see Note 4 for further information.

Share capital decrease
Reference is made to the resolution by the annual general meeting on June 4, 2019 where a resolution was passed to reduce the share capital of the parent company, Otello Corporation ASA, by cancellation of 2,000,000 treasury shares. The share capital reduction has been registered with the Norwegian Register of Business Enterprises in February 2020, and the new registered share capital of the parent company is NOK 2,769,548.58, and the total share count is 138,477,429.

Treasury shares and ordinary share
During 2Q 2020, Otello purchased 20,000 (YTD: 388,372) treasury shares for $0.0 million (YTD: $0.4 million), and sold 38,555 (YTD: 38,555) treasury shares for $0.0 million (YTD: 0.0 million).

During 2Q 2020, Otello issued 0 (YTD: 0) ordinary shares related to the incentive program, 0 (YTD: 0) ordinary shares related to business combinations, and 0 (YTD: 0) ordinary shares related to an equity increase. As of June 30, 2020, Otello owned 894,817 treasury shares.

Equity as of 12/31/2018	**138.7**	**348.2**	**51.6**	**(67.6)**	**(10.3)**	**40.8**	**1.2**	**363.9**
Comprehensive income (loss)								
Profit (loss)		-	-	-	-	(17.2)	0.3	(16.8)
Other comprehensive income (loss)								
Foreign currency translation differences		-	-	-	3.1	-	0.1	3.2
Total comprehensive income (loss)		**-**	**-**	**-**	**3.1**	**(17.2)**	**0.5**	**(13.6)**
Contributions by and distributions to owners								
Dividends		-	-	-	-	-	-	-
Issuance of ordinary shares related to business combinations		-	-	-	-	-	-	-
Issuance of ordinary shares related to incentive program		-	-	-	-	-	-	-
Issuance of ordinary shares related to equity increase		(0.0)	-	-	-	-	-	(0.0)
Capital decrease		-	-	-	-	-	-	-
Treasury shares purchased	**(0.7)**	-	-	(1.1)	-	-	-	(1.1)
Treasury shares sold		-	-	-	-	-	-	-
Tax deduction on equity issuance costs		-	-	-	-	-	-	-
Share-based payment transactions		-	2.5	-	-	-	-	2.5
Total contributions by and distributions to owners	**(0.7)**	**(0.0)**	**2.5**	**(1.1)**	**-**	**0.0**	**0.0**	**1.4**
Other equity changes								
Divestment of a subsidiary		-	-	-	-	-	-	0.0
Other changes		-	(0.0)	-	-	0.0	-	0.0
Total other equity changes		**0.0**	**(0.0)**	**-**	**-**	**0.0**	**-**	**0.0**
Equity as of 6/30/2019	**138.1**	**348.2**	**54.1**	**(68.7)**	**(7.2)**	**23.7**	**1.7**	**351.7**

Notes to the condensed consolidated interim financial statements

Note 1 - Corporate information

Otello ("the Group") consists of Otello Corporation ASA ("the company") and its subsidiaries. Otello Corporation ASA (formerly Opera Software ASA) is a public limited liability company domiciled in Norway. The condensed consolidated interim financial statements ("interim financial statements") comprise Otello Corporation ASA and its subsidiaries (together referred to as the "Group"), and the Group's investments in associates. Otello Corporation ASA is traded under the ticker "Otello" on the Oslo Stock Exchange.

The Otello Group's main business activities comprise mobile advertising via its AdColony business, and mobile app subscription services via its Bemobi business. The principal activities for Otello's various business areas are described in more details in Note 11 - Segments.

Note 2 - Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements do not include all of the information and disclosures required for a complete set of financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2019. The interim financial statements have not been subject to audit or review.

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

Note 3 - Accounting policies and critical accounting estimates

Accounting policies
The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2019.

Critical accounting estimates
The preparation of interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2019.

Note 4 - Contingent considerations

Contingent liability for Bemobi non-controlling shareholders

The Group acquired the Brazilian subsidiary Bemobi Midia e Entretenimento Ltda in 2015. As part of the acquisition agreement, an earn-out agreement was entered into with the former owners. In 2018, this earn-out agreement was renegotiated with a partial cash settlement of USD 20 million and 11.2 % shares in the intermediate holding company Bemobi Holding AS. The shares are held in escrow until a major transaction in relation to Bemobi takes place (a qualified sale or an IPO). If such a major transaction does not take place within certain deadlines, the non-controlling shareholders may require Otello to acquire the shares at a fixed amount. The deadline and amount was renegotiated ultimo 2019 and signed on January 10, 2020 and is now set at December 31, 2020 and the fixed amount is USD 18.6 million. Until the renegotiation, the dates were March 31 and/or October 1, and the fixed amount was USD 21.3 million.

As the Group's judgment is that it controls the process of selling Bemobi within the timeframe, the amount is not recognised as a liability in the statement of financial position, and that it is probable that a major transaction will take place within the deadline. If, during 2020, the circumstances change so that it is no longer probable that a major transaction will take place within the deadline, the liability will be recognized with a corresponding reduction in equity (no effect on the income statement). Upon a potential payment of the contingent liability, this will be recognized directly in equity as a redemption of non-controlling interests.

Novitech acquisition

During 2019, Bemobi acquired certain assets from a Brazilian company, Novitech. The transaction included the following assets: physical assets such as hardware and software, intellectual property, a few commercial agreements related to the development, deployment, maintenance and technical support with major Brazilian and Central American telecommunication carriers as well as a few selected employees.

Bemobi regards this is an important strategic acquisition in many aspects. It enhances our channel offer and our current distribution platform, bringing a more diverse set of channels to our portfolio beyond the NDNC portals by adding a Voice based No Credit Portal. Further, it considerably raises our service distribution scale for our own services.

The Group acquired the assets with an earn-out mechanism that is recognized as a liability at fair value in the statement of financial position of USD 0.2 million.

Note 5 - Financial risk

The majority of the financial risk that the Group is exposed to relates to currency risk. Both revenue and operating expenses are exposed to foreign exchange rate fluctuations. These effects are specified in the table below.

Revenue by currency *(USD million)*	2Q 2020	%		YTD 2020	%
USD	**37.9**	70.2%	USD	**74.6**	68.0%
BRL	**6.5**	12.1%	BRL	**15.0**	13.7%
DKK	**4.4**	8.2%	DKK	**8.6**	7.9%
TRY	**2.9**	5.3%	TRY	**6.0**	5.4%
Other	**2.3**	4.2%	Other	**5.5**	5.0%
Total	**54.0**	100.0%	**Total**	**109.7**	100.0%

Operating expenses by currency [1] *(USD million)*	2Q 2020	%		YTD 2020	%
USD	**(42.4)**	74.1%	USD	**(84.3)**	71.6%
BRL	**(4.3)**	7.5%	BRL	**(10.1)**	8.5%
DKK	**(3.4)**	6.0%	DKK	**(7.2)**	6.2%
TRY	**(2.4)**	4.2%	TRY	**(6.0)**	5.1%
Other	**(4.7)**	8.2%	Other	**(10.2)**	8.7%
Total	**(57.2)**	100.0%	**Total**	**(117.8)**	100.0%

[1] *Operating expenses by currency excludes impairment and restructuring expenses*

The impact on revenue and expenses for this quarter using comparative quarter constant foreign exchange rates is shown below. These effects are included in the specification below.

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

(USD million)	Recalculated with 1Q 2020 rates	FX effect using 1Q 2020 rates	Recalulated with 2Q 2019 rates	FX effect using 2Q 2019 rates
Revenue	**55.8**	**1.8**	**57.1**	**3.1**
Expenses	**(58.6)**	**(1.4)**	**(59.7)**	**(2.5)**

Note 6 - Financial items

Financial items (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)
Other interest income (expense), net	**(0.2)**	(0.1)	**(0.4)**	(0.1)
Interest expense related to contingent consideration	-	-	-	-
FX gains (losses) related to contingent consideration, net	-	-	-	-
Negative goodwill	-	-	-	-
Other FX gains (losses), net	**(9.1)**	(2.3)	**10.6**	(4.2)
Profit (loss) sale of shares	**(0.5)**	(0.1)	**(1.5)**	(0.1)
Revaluation of contingent consideration	-	-	-	-
Share of profit (loss) from associated companies	**(0.0)**	-	**0.0**	-
Net financial items (loss)	**(9.9)**	(2.5)	**8.8**	(4.4)

Note 7 - Liquidity risk

Credit facility

In March 2020, Otello signed an amendment to the 3 year Revolving Credit Facility (RCF) agreement of 2018 with DNB Bank ASA, reducing the facility to $50 million. However, as part of this amendment, Otello has secured a payment guarantee of an amount equal to USD 18,561,118 in favour of Pedro Ripper, CEO of Bemobi, (on behalf of the former owners of Bemobi) related to the agreement signed between Bemobi Holding AS, the holding company of Otello's Bemobi business, and the former owners of Bemobi originally dated 28 May 2018 and amended on 10 January 2020. See Note 4 for further information.

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 35%. The Group is compliant as of June 30, 2020.

The RCF bears an interest rate of LIBOR, 3 months + a Margin of 2.50 % p.a. There is no utilization fee.
On the undrawn portion of the facility, a commitment fee of 35% of the Margin will be paid.

As at June 30, 2020, $30 million of the revolving credit facility had been drawn up in addition to the secured payment guarantee of $18.6 million.

Note 8 - Accounts receivable and other receivables

Accounts receivable and other receivables (USD million)	6/30/2020 (Unaudited)	6/30/2019 (Unaudited)
Accounts receivable	**39.9**	41.8
Unbilled revenue	**22.8**	22.7
Other receivables	**10.6**	11.3
Total	**73.4**	75.8

Accounts receivable represent the part of receivables that have been invoiced to customers but are not yet paid. Unbilled revenue is revenue recognized in the quarter which was not invoiced to the customers at quarter end and which will be invoiced to customers in the subsequent period.

Other receivables consists of escrow payments related to sales and acquisitions, non-trade receivables, and prepayments.

Note 9 - Alternative performance measures

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

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

Alternative performance measures:
Gross profit:
This comprises revenues minus publisher and revenue share cost.

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

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

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

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

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

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

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

Reconciliation of gross profit *(USD million)*	**2Q 2020** (Unaudited)	**2Q 2019** (Unaudited)	**YTD 2020** (Unaudited)	**YTD 2019** (Unaudited)
Total operating revenue	**54.0**	56.2	**109.7**	107.7
Publisher and revenue share cost	**(32.5)**	(31.9)	**(64.6)**	(61.4)
Gross profit	**21.5**	24.3	**45.1**	46.3

Reconciliation of operating profit (loss) to EBITDA and adjusted EBITDA *(USD million)*	**2Q 2020** (Unaudited)	**2Q 2019** (Unaudited)	**YTD 2020** (Unaudited)	**YTD 2019** (Unaudited)
Operating profit (loss), (EBIT)	**(2.0)**	(4.2)	**(7.0)**	(11.5)
Depreciation and amortization expenses	**6.1**	6.4	**12.9**	13.4
Impairment expenses	**-**	-	**-**	-
EBITDA	**4.0**	2.2	**5.9**	1.9
Restructuring expenses	**(1.2)**	0.6	**(1.0)**	1.3
Stock-based compensation expenses	**0.6**	1.0	**1.2**	2.1
Adjusted EBITDA	**3.5**	3.9	**6.1**	5.3

Reconciliation of operating profit (loss) to normalized EBIT *(USD million)*	**2Q 2020** (Unaudited)	**2Q 2019** (Unaudited)	**YTD 2020** (Unaudited)	**YTD 2019** (Unaudited)
Operating profit (loss), (EBIT)	**(2.0)**	(4.2)	**(7.0)**	(11.5)
Impairment and restructuring expenses	**(1.2)**	0.6	**(1.0)**	1.3
Amortization of acquired intangible assets	**0.7**	1.3	**1.5**	2.5
Normalized EBIT	**(2.5)**	(2.3)	**(6.6)**	(7.6)

Note 10 - Right-of-use assets and lease liabilities (IFRS 16)

IFRS 16 was implemented for the Group with effect as of January 1, 2019. On transition to IFRS 16, the Group recognized $10.0 million in right of use (ROU) assets and $10.0 million in lease liabilities. The ROU assets and lease liabilities comprise office lease contracts. For financial subleasing contracts, the Group has recognized a contract asset in the statement of financial position, with a corresponding reduction in the ROU asset.

Accounting principles applied are described in the Group's consolidated financial statements for the year ended December 31, 2019.

The movements of the Group's right of use assets, contract assets and lease liabilities are presented below:

Lease liabilities *(USD million)*	**6/30/2020** *(Unaudited)*	**6/30/2019** *(Unaudited)*
Balance as of 1/1	7.1	-
Additions	0.3	10.0
Translation differences	(0.3)	(0.0)
Lease payments for the principal portion of the lease liability	(2.1)	(2.5)
Interest expense on lease liabilities	0.1	0.2
Lease liabilities as of 6/30	**5.1**	**7.6**
Of which:		
Current lease liabilities (less than 1 year)	3.5	4.3
Non-current lease liabilities (more than 1 year)	1.5	3.3
Balance as of 6/30	**5.1**	**7.6**

Right of use assets *(USD million)*	**6/30/2020** **(Unaudited)**	**6/30/2019** **(Unaudited)**
Balance as of 1/1	4.6	-
Additions	0.4	10.0
Adjustment to Contract asset - sublease	-	(4.1)
Depreciation	(2.1)	(2.5)
Adjustment for depreciation related to Contract asset - sublease	0.7	0.9
Translation differences	-	-
Right of use assets as of 6/30	**3.6**	**4.3**
Lower of remaining lease term or economic life	0 - 3 years	0 - 3 years
Depreciation plan	Linear	Linear

Contract assets - sublease *(USD million)*	**6/30/2020** **(Unaudited)**	**6/30/2019** **(Unaudited)**
Balance as of 1/1	2.4	-
Additions	-	4.1
Sublease payments	(0.8)	(0.9)
Adjustment of interest expense	0.0	0.1
Translation differences	-	-
Contract assets - sublease as of 6/30	**1.6**	**3.2**
Of which:		
Current contract assets (less than 1 year)	1.4	0.7
Non-current contract assets (more than 1 year)	0.2	2.5
Balance as of 6/30	**1.6**	**3.2**

Translation differences arise due to translation of lease contracts in local currencies to USD.

IFRS 16 effects on the consolidated statement of comprehensive income *(USD million)*	**2Q 2020** (Unaudited)	**2Q 2019** (Unaudited)	**YTD 2020** (Unaudited)	**YTD 2019** (Unaudited)
Operating lease expenses recognized under operating expenses decreased	(0.6)	(0.8)	(1.4)	(1.6)
Depreciation expense increased as a result of depreciation of ROU assets	0.6	0.8	1.3	1.6
Net interest expense increased as a result of recognition of the lease liability	0.0	0.0	0.1	0.1
Translation differences	(0.0)	(0.0)	(0.3)	(0.0)
Net effect	**0.0**	**0.0**	**(0.2)**	**0.0**

Profit for the period is not affected significantly.

Further information about the impact of IFRS 16, 'Leases', is provided in Note 2 in the Annual report for 2019.

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Note 11 - Segments

Revenue (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	% change	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)	% change
AdColony (Mobile Advertising)	**43.3**	42.5	2 %	**85.9**	80.6	7 %
Bemobi (Apps & Games)	**10.7**	13.9	-23 %	**23.8**	26.6	-11 %
Corporate	**0.1**	0.1	4 %	**0.1**	0.7	-82 %
Eliminations	**(0.1)**	(0.2)	-65 %	**(0.1)**	(0.2)	-48 %
Total continued operations [1]	**54.0**	56.2	-4 %	**109.7**	107.7	2 %

[1] *including intercompany postings (ICP) against discontinued operations.*

Gross profit (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	% change	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)	% change
AdColony (Mobile Advertising)	**14.2**	14.7	-3 %	**28.8**	27.7	4 %
Bemobi (Apps & Games)	**7.3**	9.6	-24 %	**16.2**	17.9	-10 %
Corporate	**0.1**	0.1	6 %	**0.1**	0.7	-82 %
Eliminations	**(0.0)**	0.0	-177 %	**(0.0)**	(0.0)	-74 %
Total continued operations [1]	**21.5**	24.3	-12 %	**45.1**	46.3	-3 %

[1] *including intercompany postings (ICP) against discontinued operations.*

Adjusted EBITDA [2] (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	% change	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)	% change
AdColony (Mobile Advertising)	**0.5**	(1.0)	-154 %	**(0.7)**	(3.6)	79 %
Bemobi (Apps & Games)	**4.0**	6.0	-34 %	**9.1**	11.1	-18 %
Corporate	**(1.1)**	(1.2)	8 %	**(2.3)**	(2.2)	-3 %
Eliminations	**0.0**	(0.0)	-174 %	**0.0**	(0.0)	-123 %
Total continued operations [1]	**3.5**	3.9	-11 %	**6.1**	5.3	15 %

[1] *including intercompany postings (ICP) against discontinued operations.*
[2] *excluding impairment and restructuring, and stock-based compensation expenses.*

EBITDA (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	% change	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)	% change
AdColony (Mobile Advertising)	**1.8**	(1.2)	250 %	**0.4**	(3.8)	110 %
Bemobi (Apps & Games)	**3.7**	5.1	-28 %	**8.2**	9.6	-15 %
Corporate	**(1.4)**	(1.7)	19 %	**(2.7)**	(3.9)	32 %
Eliminations	**(0.0)**	(0.0)	-97 %	**0.0**	(0.0)	-101 %
Total continued operations [1]	**4.0**	2.2	-83 %	**5.9**	1.9	-218 %

[1] *including intercompany postings (ICP) against discontinued operations.*

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Note 11 - Segments (continued)

Normalized EBIT [2] (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	% change	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)	% change
AdColony (Mobile Advertising)	**(3.8)**	(5.2)	27 %	**(10.0)**	(13.0)	23 %
Bemobi (Apps & Games)	**2.8**	4.8	-42 %	**6.3**	8.9	-28 %
Corporate	**(1.5)**	(1.8)	18 %	**(2.9)**	(3.5)	16 %
Eliminations	**(0.0)**	0.0	103 %	**(0.0)**	0.0	128 %
Total continued operations [1]	**(2.5)**	(2.3)	-12 %	**(6.6)**	(7.6)	14 %

[1] *including intercompany postings (ICP) against discontinued operations.*
[2] *excluding amortization of acquired intangible assets*

EBIT (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	% change	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)	% change
AdColony (Mobile Advertising)	**(2.8)**	(6.1)	53 %	**(9.3)**	(14.5)	36 %
Bemobi (Apps & Games)	**2.4**	3.8	-37 %	**5.3**	7.2	-26 %
Corporate	**(1.5)**	(1.9)	18 %	**(3.0)**	(4.2)	29 %
Eliminations	**(0.0)**	0.0	104 %	**(0.0)**	0.0	137 %
Total continued operations [1]	**(2.0)**	(4.2)	52 %	**(7.0)**	(11.5)	39 %

[1] *including intercompany postings (ICP) against discontinued operations.*

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

AdColony (Mobile Advertising)
AdColony is one of the largest mobile advertising platforms in the world with a reach of more than 1.5 billion users globally. AdColony provides an end-to end platform for brands, agencies, publishers and application developers to deliver advertising to consumers on mobile devices around the world. AdColony delivers highly interactive and engaging advertising experiences across all mobile formats with particular strength in video and full screen interactive rich media ads.

AdColony's advertising revenue is primarily 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's revenues are primarily generated from Apps Club, a subscription-based discovery service for mobile apps. 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 daily, weekly or monthly fee. Users pay for this service through their mobile operator billing systems. Bemobi is a so-called B2B2C company. Instead of selling directly to a consumer, Bemobi typically partners with large companies, mostly mobile operators or in some cases smartphone original equipment manufacturers (OEMs). Through partnerships with these companies, Bemobi can offer its service to consumers.

Bemobi revenue is primarily comprised of: i) subscription revenue when an Android user purchases a subscription from a "co-branded" mobile store, or a white-label operator-controlled version of the mobile store, known as Apps Club, and ii) the Bemobi Mobile Store (formerly Opera Mobile Store), a feature phone platform, when a user purchases a premium app. This feature phone platform, acquired by Bemobi's parent Otello from the acquisition of Handster in 2011, is to be phased out.

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 other costs related to business combinations and restructuring processes.

Note 12 - Other investments

Other investments [USD million]	6/30/2020 (Unaudited)	6/30/2019 (Unaudited)
Investments in associated companies	**10.1**	8.2
Loans to associated companies	**6.0**	5.7
Investments in other shares	**0.8**	0.9
Total	**16.9**	14.7

Investments in associated companies

Otello finalized an agreement on December 19, 2016 to sell its TV business ("Opera TV") for $80 million. As part of this agreement, Otello retained an approximately 27% equity interest in Last Lion Holdings Ltd, through preferred shares, which indirectly owns Opera TV through Last Lion Holdco AS. In 2017, Opera TV AS changed its name to Vewd Software AS. See note 14 for further information regarding the investment in Last Lion Holdings Ltd.

Information regarding Last Lion Holdings Ltd (USD million)	2Q 2020 (Unaudited)	YTD 2020 (Unaudited)
Revenue	10.9	21.8
EBIT	4.4	8.8
Net profit (loss)	0.0	0.0
Assets		164.4
Non-current liabilities		117.5
Current liabilities		9.3
Equity		37.5
Otello's share of equity		10.1

The investment in Last Lion Holdings Ltd is recognized using the equity method.

Loans to associated companies

The Group entered into a loan agreement in 2017 of $5 million with Vewd Software AS (formerly Opera TV AS). This loan is outstanding, with an accrued interest of $1.0 million, as at June 30, 2020.

Note 13 - Impairment and restructuring expenses

During 2020, 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.

Impairment and restructuring expenses (USD million)	2Q 2020 (Unaudited)	2Q 2019 (Unaudited)	YTD 2020 (Unaudited)	YTD 2019 (Unaudited)
Salary restructuring expenses	**(0.2)**	(0.1)	**(0.3)**	(0.3)
Option restructuring expenses	**-**	-	**-**	-
Office restructuring expenses	**1.4**	(0.1)	**1.4**	(0.1)
Impairment expenses	**-**	-	**-**	-
Legal and other costs related to business combinations and disposals	**(0.0)**	(0.5)	**(0.1)**	(0.9)
Other restructuring expenses	**0.0**	-	**0.0**	-
Total	**1.2**	(0.6)	**1.0**	(1.3)

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Note 14 - Potential sale of Vewd minority stake

Otello's case regarding the potential sale of Vewd minority stake
As reported to the market on September 14, 2018, Otello was successful in its claim in the High Court of Justice of England and Wales against Moore Frères & Co LLC ("MFC") and Last Lion Holdings Limited ("Last Lion"), arising from the refusal of the Board of Last Lion, which is controlled by appointees of MFC, to approve the sale of Otello's remaining ownership stake in Last Lion, being approximately 27-28.5% in the Vewd Software business. The judge granted Otello the injunction it sought requiring the Board to approve the buyer.

The buyer did not purchase the shares on the terms of the expired Share Purchase Agreement. Otello has now restored the proceedings in order to pursue alternative remedies, including (1) an order from the Court that MFC be required to buy Otello's shares (and related Loan Note) at the higher of the current valuation of those shares and the price that the buyer was prepared to pay, and (2) that in the event that MFC is unable to purchase the shares at such price, an order that all shares in Last Lion (or Last Lion's shares in Last Lion Holdco AS) be sold and Otello be paid the sum found to be due to it out of the proceeds of such sale. A trial to determine the relief to which Otello is entitled was listed to take place in a rolling five day window from March 23, 2020. On March 18, 2020 the Court decided to postpone the trial until the court term commencing in October 2020 because of the impact of the ongoing corona virus pandemic. The Court has now listed the trial to commence in a rolling five-day window from October 5, 2020. The trial is expected to last for five days plus one day of pre-reading.

Note 15 - Events after the reporting date

Impact of COVID-19
The world is grappling with the direct and indirect impacts of the Covid -19 virus. In this challenging situation, the primary focus of Otello has been the health and safety of our employees. Since mid-March, the Group entities have successfully managed to shift the vast majority of the operations to remote home offices. The operational impact has been limited to a minimum and all business activities continue to operate as before the crisis. Due to the nature of our business in both AdColony and Bemobi, in terms of not having physical products and being reliant on the use of consumers mobile phones, we are in relatively fortunate position. However, as our revenue is linked to the advertising spend of companies (AdColony) and subscriptions bought by consumers (Bemobi), we expect Covid-19 to negatively impact revenue and profit in 2020 as a whole. Our assessment as at the end of Q2 is that we have seen a rebound for the AdColony business since April, and since June for the Bemobi business. It is still too early to tell how great the total impact will be. Ultimately, this will be dependent on the duration of the crisis, and the knock-on effect of the changed behavior of our customers.

GDPR
As reported in the media, on January 14, 2020, the Norwegian Consumer Council (NCC) filed a complaint to the Norwegian Data Protection Authority (DPA) against Grindr and five other companies, including AdColony, who is a supplier to Grindr. The NCC requests that the DPA investigate certain alleged breaches of the General Data Protection Regulation (GDPR) relating to the processing of personal data about Grindr users received from Grindr through the Grindr app. As of the date of this report, AdColony has not received any formal notification or complaint from the DPA. AdColony is currently looking into the NCC's complaint and will provide further information if and when necessary. The Company has not recognized any contingent liabilities in the interim financial statements related to this matter.

No events have occurred after the reporting date that would require the interim financial statements to be adjusted.

Interim Management Report Review of 1H 2020

Operations

Revenue in 1H 2020 was $109.7 million, up 2% compared to 1H 2019, when revenue was $107.7 million with growth from AdColony, partly offset by decrease in revenue from Bemobi. Total operating costs, excluding one-time costs, were $117.8 million in 1H 2020 compared to $117.9 million in 1H 2019, virtually flat. Adjusted EBITDA* was $6.1 million in 1H 2020 compared to $5.3 million in 1H 2019, with growth in AdColony, partly offset by a decrease in Bemobi. EBIT was $(7.0) million in 1H 2020 compared to $(11.5) million in 1H 2019. Profit for the period was $0.8 million in 1H 2020 compared to $(16.8) million in 1H 2019.

Cash flow

The Company generated $9.6 million in cash flow from operations in 1H 2020, compared to $(4.5) million in 1H 2019. Cash outflow for investments amounted to $6.0 million, with $5.0 million related to research and development, $0.7 million related to capital expenditures and $0.2 million related purchases of subsidiaries and associated companies, net of cash acquired. Cash inflow from financing activities amounted to $7.5 million, of which $10 million relates to proceeds from borrowings and $0.1 million in proceeds from exercise of incentive program, partly offset by $(1.4) million from payment of finance lease liabilities and $(0.7) million in repayment of borrowings and $(0.4) million relates to purchase of treasury shares.

Financial position

Total assets decreased from $421.0 million to $394.7 million, primarily due to reductions in deferred tax assets, goodwill and intangible assets, partly offset by an increase in cash and cash equivalents.

*excluding impairment and restructuring, and stock-based compensation expenses

Statement by the BOD and the CEO

Unaudited – 1H 2020 report of Otello Corporation ASA

The Board of Directors and the CEO have today reviewed and approved the condensed consolidated interim financial statements (“interim report”) for Otello Corporation ASA for the first half of 2020.

The interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Norwegian disclosure requirements in accordance with the Norwegian Securities Trading Act.

The Board of Directors and the CEO consider the accounting policies applied to be appropriate. Accordingly, to the best of their knowledge and without the benefit of an audit, the interim report gives a true and fair view of the Group's assets, liabilities and financial position as of June 30, 2020, and of the results of the Group’s operations and cash flows for the first half of 2020.

The Board of Directors and the CEO also consider the interim report to give a true and fair view of the information required by the Norwegian Securities Trading Act section 5–6 paragraph 4.

Oslo, August 19, 2020

The Board of Directors

Otello Corporation ASA

André Alexander Christensen, Chairman

Anooj Unarket

Maria Borge Andreassen

Lin Song

Birgit Midtbust

Lars Rahbæk Boilesen, CEO