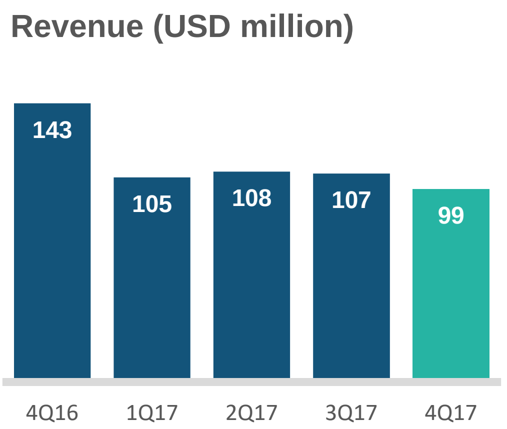
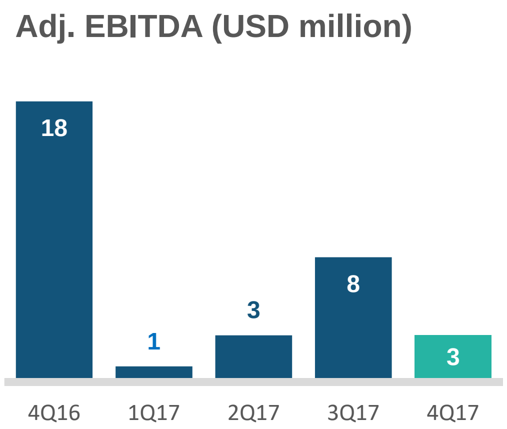
QUARTERLY REPORT

4Q 2017

OTELLO CORPORATION ASA

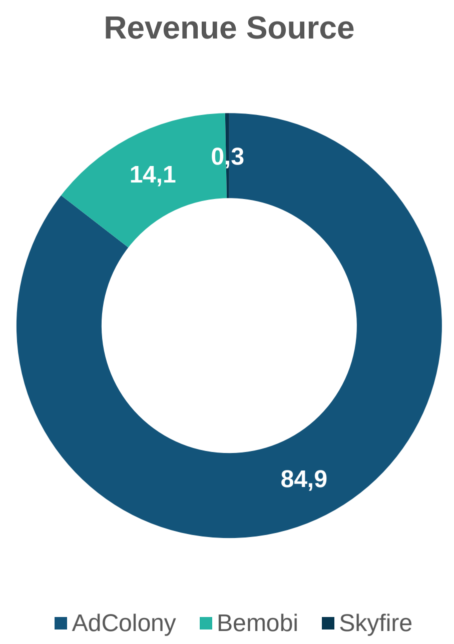




otello™

HIGHLIGHTS

- Revenue was down 30 percent to USD 99.2 million (USD 142.5 million) due to decline in revenue from AdColony. This was partly offset by growth in Bemobi
- Adjusted EBITDA* declined to USD 2.9 million (USD 17.7 million), as a result of lower profit from AdColony.
- Net income was negative USD 15.4 million (negative USD 30.3 million), impacted in particular by restructuring costs related to AdColony
- Earnings per share amounted to negative USD 0.11 (negative USD 0.20)
- SurfEasy sold for USD 38.5 million in the quarter and treated as discontinued operations



*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)	4Q17	4Q16	2017	2016
Revenue*	**99.2**	**142.5**	**419.0**	**532.2**
AdColony (Mobile Advertising)	84.9	128.3	364.9	484.2
Bemobi (Apps & Games)	14.1	12.8	52.9	48.2
Skyfire (P&P)	0.3	1.8	2.6	4.7
Adj. EBITDA				
AdColony (Mobile Advertising)	(0.9)	14.0	(1.5)	40.4
Bemobi (Apps & Games)	5.3	6.4	22.7	22.5
Skyfire (P&P)	(0.4)	(0.7)	(2.2)	(7.0)
Corporate	(1.1)	(2.0)	(5.4)	(6.5)
EBITDA	**2.9**	**17.7**	**13.5**	**49.4**
EBIT	(12.8)	(17.1)	(46.1)	(30.1)
Net income	(15.4)	(30.3)	(51.8)	(61.7)
EPS (USD)	(0.11)	(0.20)	(0.36)	(0.42)

* Segment revenue includes intercompany transactions. In the report below, figures in brackets relate to the corresponding period in 2016. The figures are unaudited.

GROUP PERFORMANCE

To provide a better understanding of Otello's underlying performance, the following presentation of operating results excludes certain non-recurring and non-operational items from EBITDA, such as transaction costs, stock based compensation, restructuring and impairment costs, 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 30 percent in fourth quarter 2017 compared to the same period last year, driven by a decline in AdColony, partly offset by growth in Bemobi. The decrease in revenue in AdColony is mainly due to slower product launches and ramp up of new products in addition to a focus around fewer and more profitable products and markets. SurfEasy was divested in the quarter and treated as discontinued operations.

Total operations costs (including depreciation and stock based compensation costs, but excluding restructuring and impairment costs) were down 23 percent from the corresponding period last year, mainly due to lower publisher costs as well as lower payroll and depreciation and amortization expenses, particularly in AdColony.

Publisher and revenue share cost was USD 59.3 million in the quarter (USD 83.5 million), down 29 percent from the corresponding period last year as a result of lower revenue.

Payroll and related expenses, excluding stock-based compensation expenses, were USD 19.3 million in the quarter (USD 25.2 million), down 23 percent from the corresponding period last year as a result of strict cost control and a reduction in overall headcount, primarily in AdColony.

Stock-based compensation expenses were USD 1.5 million in the quarter, down from USD 2.3 million in 4Q16.

Depreciation and amortization expenses were USD 9.3 million in the quarter (USD 12.6 million), down 26 percent from the corresponding period last year as intangible assets from prior acquisitions are gradually amortized.

Other operating expenses were USD 17.7 million in the quarter (USD 16.1 million), up 9 percent from the corresponding period last year, primarily linked to bad debt accruals and aggressive user acquisition to drive International growth for Bemobi.

Otello recognized a restructuring charge of USD 4.9 million in the quarter primarily comprising salary and office costs associated with the reorganization and streamlining of AdColony, partly offset by reversal of stock-based compensation expenses.

Adjusted EBITDA and EBITDA

Adjusted EBITDA

Adjusted EBITDA was USD 2.9 million in fourth quarter 2017, down from USD 17.7 million in the corresponding period in 2016, due primarily to weaker performance from AdColony. A net total of USD 6.4 million was excluded from adjusted EBITDA, related to restructuring costs and stock-based compensation expenses.

EBITDA

EBITDA was USD (3.5) million in the fourth quarter 2017, down from USD 14.5 million in the corresponding period in 2016, due to weaker performance from AdColony.

Net financial items

Otello recognized a net profit from net financial items in the quarter of USD 13.8 million, compared to a loss of USD 10.0 million in corresponding period last year, which was primarily due to FX gains, due to a stronger USD vs NOK.

Net income

Fourth quarter 2017 net income was negative USD 15.4 million compared to negative USD 30.3 million in the corresponding period last year. EPS and fully diluted EPS were negative USD 0.11 and USD 0.11, respectively, in fourth quarter

2017, compared to negative USD 0.20 and USD 0.20, respectively, in fourth quarter 2016.

Financial position and cash flow

Otello's net cash flow from operating activities was USD 0.1 million in fourth quarter 2017 compared to USD 9.4 million in fourth quarter 2016.

Cash flow from investment activities amounted to negative USD 3.8 million, vs negative USD 25.2 million from the corresponding quarter last year, of which USD 3.4 million stems from Capitalized R&D costs and PP&E. The sale of SurfEasy in the quarter was treated as discontinued operations and is therefore not included in the fourth quarter cashflow.

Cash flow from financing activities amounted to negative USD 103.9 million as Otello paid back all its outstanding bank loan of USD 100 million in addition to share repurchases of USD 4.0 million.

Cash and cash equivalents at the end of the fourth quarter 2017 were USD 86.0 million compared to USD 219.5 million in the fourth quarter 2016. After the loan repayment Otello has an undrawn credit facility of USD 50 million and no interest-bearing debt at the end of the quarter.

The company's equity was USD 469.0 million at the end of the quarter, corresponding to an equity ratio of 73.7%.

Organization

At the end of fourth quarter 2017 Otello had 538 fulltime employees and equivalents.

BUSINESS OVERVIEW

AdColony (Mobile Advertising)

(USD million)	4Q17	4Q16	2017	2016
Revenue*	**84.9**	**128.3**	**364.9**	**484.2**
Performance	31.9	53.3	159.0	234.5
Brand-Managed IO	36.7	51.5	137.8	169.4
Brand-Performance	5.5	10.3	31.3	31.5
Brand-Programmatic	10.8	13.4	36.7	45.7
Gross Profit	**29.1**	**48.7**	**128.5**	**185.8**
Adj. EBITDA	(0.9)	14.0	(1.5)	40.4
EBITDA	(6.8)	11.8	(20.2)	28.3
EBIT	(14.9)	(13.8)	(48.6)	(16.4)

* Revenue and gross profit excludes intercompany transactions

Business Overview

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

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

AdColony is an advertising platform focused on delivering marketing and monetization results for our clients. The technology powers monetization for the most popular, top 1,000 global publishers, and it enables marketers to engage with consumers on the most personal and important screens in their lives. AdColony delivers highly interactive and engaging advertising experiences across all formats with particular strength in video and full screen interactive rich media ads. The company has proven to push creative boundaries and be first to market with innovations to lead the mobile ad economy.

Financial Overview

Overall revenue of USD 84.9 million was down by 34 percent in the quarter compared to 4Q16. The slow ramp of key products combined with decay from legacy products and business models, as seen in the end of 2016 continued throughout 2017. Adjusted EBITDA amounted to USD (0.9) million in the quarter as result of lower revenue and overall lower gross margin. Gross margins have been moving lower because of both increased competition for supply and the revenue mix, with ad dollars moving from Brand to Programmatic. However, gross margin improved sequentially driven by solid execution in the Brand Performance business in particular. Considering the business model shifts that we have seen in 2017, we initiated a restructuring program in AdColony which will have material impact on 2018 costs and is expected to yield over USD 50 million in annualized OPEX savings over the cost level entering 2017, with close to full effect from 1Q18 as we target an OPEX base of around USD 90 million.

Performance

Revenue was down 40% YoY due to continued supply competition from mediation and competitors, slower than expected SDK adoption and lower than expected scale for new ad formats including 'playables'. CPI pricing was up 16% vs. last year and flat vs. last quarter as we continue to improve the quality of our supply and experience strong demand for app installs from performance advertisers. YoY impressions declined -14% due to increased supply competition for in-app mobile video supply.

Gross margin was down from 40.3% in 4Q16 to 29.1% in 4Q17 as we continued to optimize supply and secure higher waterfall positions inside existing supply. Exiting 2017 and into 2018, catalysts for growth include access to publisher inventory, scaling of new ad formats (playables, vertical video, interactive video), overall SDK penetration, and global expansion into new markets.

Brand-Managed IO

Revenue was down 29% YoY due to a shift in our brand partners' spending from Brand Managed IO to Programmatic, and to uncertainty in the market around key brand needs such as 3rd party viewability measurement in app versus desktop, which impacted our core mobile video offering. Gross margin was down from 38.1% to 36.6% as brand advertisers move to more transparent, automated and scalable products.

Brand-Performance

Revenue was down 47% YoY as we continue to move away from our legacy mobile web direct response offering and continue to focus on more scalable app marketing. Initiatives around gross margin lifted it by a full 10 percentage points from 27.0% in 4Q16 to 37.3% in 4Q17.

Brand-Programmatic

Revenue was down 19% compared to 4Q16 as a decrease in revenue from our legacy offering (AdMarvel) more than offset growth in our Private Marketplace offering. Gross margins were up slightly from 37.6% to 39.9%.

Product update

In 4Q 2017, the Product and Technical teams worked on projects key to FY2018 success.

SDK
Teams released Android v3.3 SDK in 4Q, 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 of end 4Q17 Android SDK v3.x penetration was at 64%.

Core Improvements
Improvements continued on AdColony's Core™ yield optimization engine, with a robust testability framework in 4Q17. Use of the new framework was helpful in developing a machine learning model - fully deployed in 1Q18 - that has improved key business KPIs and helped to combat downward pressure on install rate and lower brand spend.

Improving Return on Ad Spend
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. Performance business 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
China infrastructure was enabled in Q17, 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. 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 to increase waterfall priority and deepen publisher relationships.

Bemobi (Apps & Games)

(USD million)	4Q17	4Q17	2017	2016
Revenue*	**14.1**	12.8	**52.9**	48.2
Gross Profit	**10.5**	8.4	**38.2**	31.6
Adj. EBITDA	**5.3**	6.4	**22.7**	22.5
EBITDA	**5.3**	6.3	**22.6**	22.0
EBIT	**4.3**	0.4	**14.2**	6.1

* Revenue and gross profit excludes intercompany transactions

Business Overview

The cornerstone of Otello's Bemobi offering is AppsClub, a leading subscription based discovery service for mobile apps in Latin America and beyond. AppsClub 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 is ending 4Q17 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.

Financial Overview

Revenue grew by 10% percent YoY fueled by growth in the international markets. Of the revenue in 4Q17 77% percent came from LATAM while 23% came from international markets.

Gross margin for Bemobi is very strong and all-time high in 4Q17 with 74%, up from 65% in 4Q17.

LATAM subscribers were up from 13.9 million in 4Q16 to 15.6 million in 4Q17. International subscribers were also up from 3.1 million in 4Q16 to 4.7 million in 4Q17.

Revenue from LATAM was 10.8 million in 4Q17 compared to 11.1 million in 4Q16, while revenue in International was 3.3 million in 4Q17 compared to 1.7 million in 4Q16.

Adjusted EBITDA decreased by 17% percent quarter over quarter to USD 5.3 million as revenue growth and stronger gross margins was more than offset by Opex linked to aggressive user acquisition in International markets.

In 2017 Bemobi launched Airtel and Aircel India Apps Club 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 4Q17 due to optimizations and a more balanced channel mix as we further grow our NDNC portals and our capabilities to acquire subscribers through other digital channels.

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 4Q.

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.

Bemobi also added Disney as a new high-profile key game publisher to all its Apps Club offering in LATAM. Bemobi also expanded its partnership with Truecaller launching a joint subscription service with Oi in Brazil as well as partnered with BT-Fit, leading LATAM fitness app for a fitness subscription services to be distributed by all carriers in the country.

Skyfire (Performance)

(USD million)	4Q17	4Q17	YTD 2017	YTD 2016
Revenue*	**0.3**	1.8	**2.6**	4.7
Gross Profit	**0.3**	1.8	**2.6**	4.7
Adj. EBITDA	**(0.4)**	(0.7)	**(2.2)**	(7.0)
EBITDA	**(0.6)**	(0.7)	**(3.0)**	(7.4)
EBIT	**(0.6)**	(0.7)	**(3.0)**	(12.3)

* Revenue and gross profit excludes intercompany transactions

Business Overview

SKYFIRE

Today, typically 60 percent or more of total mobile data consumption is video content, putting pressure on the operators existing network capacity. Skyfire enables mobile operators to optimize its network performance and quality as data traffic and the consumption of mobile video is exploding among mobile users. The unique technology also enables operators to pursue new business models and revenue streams while benefiting from increased technological flexibility as customer data is optimized.

Rocket Optimizer is Skyfire´s flagship product for managing the explosion of mobile video data traffic in mobile operator networks. It is designed for operator deployment and it provides operators with an instant 60 percent boost in bandwidth 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 being deployed to joint customers.

Financial Overview

Revenue decreased in the quarter from USD 1.8 million to USD 0.3 million, while Adj. EBITDA was up from USD (0.7) million to (0.4) million. The Skyfire organization and cost base is significantly smaller compared to last year and the nature of the business makes revenues lumpy in nature. Overall, the new cost base and contracts signed in 2017 should secure medium term profitability.

Product update

Network Function Virtualization (NFV)

- Helping customers shift from solutions that use “in-line appliances” to a virtualized model using private cloud
- NFV APIs allow the automated creation / destruction of virtual machines and configuration of key networking parameters
- Scale in / Scale out can also be orchestrated – that VM deployments are automatically “right-sized” based on the current optimization load

Reporting Enhancements

- New reported focused on encrypted traffic
- Total encrypted requests, breakdown of domains, bandwidth saved through encrypted traffic optimization, etc.
- Shifting to off-the-shelf visualization platform (Tableau) instead of relying on home-built Reporter with built-in charts
- Reduce engineering resources

R&D for “next wave” of optimization opportunities + differentiation

- Encrypted Traffic Reporting
- Encrypted Traffic Stall Detection
- Automatic Detection of Encrypted Video Traffic

SurfEasy (discontinued operations)

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

SurfEasy is an online privacy and security company providing easy-to-use desktop and mobile VPN solutions to help consumers protect their online privacy and security. 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 November 6, 2017. Otello has recognized a gain of $21.6 million on the Transaction which will not be taxable.

OUTLOOK

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

AdColony operates in a global advertising industry which continues to experience a macro shift in advertising spend from traditional channels to digital online channels. AdColony is well positioned to take advantage of the macro trends and become the highest quality mobile advertising platform in the world. Otello expects AdColony to be adj. EBITDA profitable in 2018. Overall, longer term growth will be driven 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.

Oslo, February 27, 2018
The Board of Directors
Otello Corporation ASA

Audun Iversen Chairman (sign.)	Lars Boilesen CEO (sign.)

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

Key financial figures

Continuing operations (USD million, except earnings per share)	4Q 2017 (Unaudited)	4Q 2016 Restated (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 Restated (Unaudited)
Revenue	**99.2**	142.5	**419.0**	532.2
Gross profit	**39.9**	59.0	**169.5**	222.0
Net income [1]	**(15.4)**	(30.3)	**(51.8)**	(61.7)
Adjusted EBITDA [2]	**2.9**	17.7	**13.5**	49.4
EBITDA	**(3.5)**	14.5	**(8.6)**	35.7
Normalized EBIT [3]	**(4.5)**	9.3	**(11.1)**	25.9
EBIT	**(12.8)**	(17.1)	**(46.1)**	(30.1)
EPS	**(0.11)**	(0.20)	**(0.36)**	(0.42)
EPS, fully diluted	**(0.11)**	(0.20)	**(0.36)**	(0.41)
Cash flow from operating activities	**0.1**	9.4	**6.7**	41.4
Cash flow from investment activities	**(3.8)**	(25.2)	**(49.2)**	(170.8)
Cash flow from financing activities	**(103.9)**	(448.5)	**(127.7)**	(307.4)

Segment information Revenue (USD million)	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)
AdColony (Mobile Advertising)	**84.9**	128.3	**364.9**	484.2
Bemobi (Apps & Games)	**14.1**	12.8	**52.9**	48.2
Skyfire (Performance & Privacy)	**0.3**	1.8	**2.6**	4.7
Corporate Costs	**0.1**	(0.0)	**0.1**	(0.0)
Eliminations	**(0.1)**	(0.3)	**(0.3)**	(0.3)
Total Continued Operations [4]	**99.3**	142.6	**420.2**	536.8

Segment information Adjusted EBITDA [1] (USD million)	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)
AdColony (Mobile Advertising)	**(0.9)**	14.0	**(1.5)**	40.4
Bemobi (Apps & Games)	**5.3**	6.4	**22.7**	22.5
Skyfire (Performance & Privacy)	**(0.4)**	(0.7)	**(2.2)**	(7.0)
Corporate Costs	**(1.1)**	(2.0)	**(5.4)**	(6.5)
Eliminations	**(0.0)**	0.0	**(0.0)**	0.0
Total Continued Operations (with ICP) [4]	**2.9**	17.7	**13.5**	49.4
Eliminations	**0.0**	0.0	**0.0**	(0.0)
Total Continued Operations (net of ICP)	**2.9**	17.7	**13.5**	49.4

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

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Interim condensed financial statements

Consolidated statement of comprehensive income

(USD million, except earnings per share)	Note	4Q 2017 (Unaudited)	4Q 2016 Restated (Unaudited)	% change	YTD 2017 (Unaudited)	YTD 2016 Restated (Unaudited)	% change
Continuing operations							
Revenue	3, 5, 11	**99.2**	142.5	-30 %	**419.0**	532.2	-21 %
Total operating revenue		**99.2**	142.5	-30 %	**419.0**	532.2	-21 %
Publisher and revenue share cost	3, 5, 11	**(59.3)**	(83.5)	-29 %	**(249.6)**	(310.1)	-20 %
Payroll and related expenses[1]	3, 5, 11	**(19.3)**	(25.2)	-23 %	**(91.2)**	(105.5)	-14 %
Stock-based compensation expenses	3, 5, 11	**(1.5)**	(2.3)	-37 %	**(7.8)**	(9.4)	-16 %
Depreciation and amortization	3, 5, 11	**(9.3)**	(12.6)	-26 %	**(37.5)**	(46.0)	-18 %
Other operating expenses	3, 5, 11	**(17.7)**	(16.1)	9 %	**(64.8)**	(67.2)	-4 %
Total operating expenses		**(107.1)**	(139.8)	-23 %	**(450.9)**	(538.1)	-16 %
Operating profit (loss), ("EBIT"), excluding restructuring and impairment costs		**(7.9)**	2.7		**(31.8)**	(5.9)	
Restructuring and impairment cost	13, 14, 15	**(4.9)**	(19.8)		**(14.2)**	(24.1)	
Operating profit (loss), ("EBIT")		**(12.8)**	(17.1)		**(46.1)**	(30.1)	
Net financial items (loss)	6	**13.8**	(10.0)		**(2.6)**	(35.1)	
Profit (loss) before income tax		**1.0**	(27.1)		**(48.7)**	(65.2)	
Provision for taxes[2]		**(16.4)**	(3.1)		**(3.0)**	3.5	
Profit (loss)		**(15.4)**	(30.3)		**(51.8)**	(61.7)	
Discontinuing operations							
Profit (loss) from discontinuing operations, net of tax	10	**30.9**	517.6		**30.7**	488.2	
Profit (loss) from discontinuing operations		**30.9**	517.6		**30.7**	488.2	
Items that may or will be transferred to profit (loss)							
Foreign currency translation differences		**(19.6)**	(35.5)		**(2.0)**	(16.3)	
Discontinuing operations - reclassified to profit (loss)		**0.1**	0.1		**(0.2)**	(0.0)	
Total comprehensive income (loss)		**(4.1)**	452.0		**(23.3)**	410.1	
Earnings (loss) per share:							
Basic earnings (loss) per share (USD)		**0.11**	3.29		**(0.15)**	2.91	
Diluted earnings (loss) per share (USD)		**0.11**	3.29		**(0.15)**	2.91	
Shares used in earnings per share calculation		**141,955,422**	148,036,567		**144,484,637**	146,587,577	
Shares used in earnings per share calculation, fully diluted		**141,955,422**	150,730,525		**144,484,637**	149,292,689	
Earnings per share (continuing operations):							
Basic earnings (loss) per share (USD)		**(0.11)**	(0.20)		**(0.36)**	(0.42)	
Diluted earnings (loss) per share (USD)		**(0.11)**	(0.20)		**(0.36)**	(0.41)	
Shares used in earnings per share calculation		**141,955,422**	148,036,567		**144,484,637**	146,587,577	
Shares used in earnings per share calculation, fully diluted		**141,955,422**	150,730,525		**144,484,637**	149,292,689	

[1] *Payroll and related expenses excludes stock-based compensation expenses.*
[2] *The quarterly and YTD provision for taxes is based on an estimated tax rate for the Group.*

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Consolidated statement of financial position

(USD million)	Note	12/31/2017 (Unaudited)	12/31/2016 (Audited)
Assets			
Deferred tax assets		**16.3**	12.2
Goodwill	14	**322.6**	322.2
Intangible assets	14	**59.6**	83.5
Property, plant and equipment		**11.4**	8.1
Other investments	12	**14.4**	8.0
Other non-current assets		**0.8**	0.5
Total non-current assets		**425.1**	434.5
Inventories		**0.0**	0.2
Accounts receivable	8	**111.4**	154.6
Other receivables	8	**13.9**	28.0
Cash and cash equivalents	7	**86.0**	219.5
Total current assets		**211.4**	402.4
Total assets		**636.5**	836.9

(USD million)	Note	12/31/2017 (Unaudited)	12/31/2016 (Audited)
Shareholders' equity and liabilities			
Equity attributable to owners of the company		**469.0**	519.6
Non-controlling interests		**0.0**	0.0
Total equity		**469.0**	519.6
Liabilities			
Deferred tax liability		**4.8**	9.2
Loans and borrowings	7	**0.0**	100.0
Other non-current liabilities		**4.5**	2.9
Provisions	4	**28.5**	54.3
Total non-current liabilities		**37.8**	166.3
Loans and borrowings	7	**0.1**	0.5
Accounts payable		**35.3**	36.3
Taxes payable		**(3.8)**	(4.0)
Public duties payable		**2.6**	7.1
Deferred revenue		**5.0**	7.9
Stock-based compensation liabilities		**0.0**	0.1
Other current liabilities		**65.2**	77.7
Provisions	4	**25.4**	25.4
Total current liabilities		**129.8**	151.0
Total liabilities		**167.5**	317.3
Total equity and liabilities		**636.5**	836.9

Consolidated statement of cash flows

(USD million)	Note	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)
Cash flow from operating activities					
Profit (loss) before taxes		**31.8**	495.7	**(18.1)**	431.4
Income taxes paid		**(10.9)**	(1.0)	**(14.6)**	(13.3)
Depreciation and amortization expense		**9.5**	10.9	**38.7**	58.7
Net (gain) loss from disposals of PP&E, and intangible assets		**0.5**	0.0	**0.5**	(0.1)
Net (gain) loss from sale of discontinued operations, net of tax	10	**(36.4)**	(510.7)	**(36.4)**	(510.7)
Impairment losses on intangible assets and goodwill		**0.0**	21.1	**0.0**	21.1
Changes in inventories, trade receivables, trade and other payables		**8.6**	2.7	**33.2**	(0.4)
Other net finance items		**0.0**	0.8	**0.0**	0.2
Changes in other operating working capital		**8.8**	3.8	**1.9**	4.9
Share of net income (loss) and net (gain) loss from disposal of associated companies	6	**(0.1)**	0.1	**(0.3)**	5.0
Share-based remuneration		**(4.0)**	0.9	**2.0**	10.7
Earnout cost and cost for other contingent payments	4	**(0.0)**	25.7	**5.2**	30.8
FX differences related to changes in balance sheet items		**(8.4)**	(68.0)	**(4.0)**	(35.1)
Net cash flow from operating activities		**(0.5)**	(18.1)	**7.9**	3.1
- of which included in continuing operations		0.1	9.4	6.7	41.4
- of which included in discontinuing operations		(0.6)	(27.5)	1.2	(38.3)
Cash flow from investment activities					
Proceeds from sale of property, plant, and equipment (PP&E) and intangible assets		**0.0**	0.0	**0.0**	0.5
Purchases of property, plant and equipment (PP&E) and intangible assets		**(0.1)**	(1.2)	**(10.3)**	(6.3)
Capitalized R&D costs		**(3.4)**	(4.4)	**(15.0)**	(19.2)
Proceeds from repayment of loans given		**0.0**	0.0	**3.5**	0.0
Loans to related parties		**0.0**	(5.5)	**0.0**	(5.5)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	10	**33.8**	618.1	**33.8**	618.1
Purchases of subsidiaries and associated companies, net of cash acquired [1]	4	**(0.5)**	(15.2)	**(29.0)**	(156.4)
Net cash flow from investment activities		**29.8**	591.7	**(17.1)**	431.1
- of which included in continuing operations		(3.8)	(25.2)	(49.2)	(170.8)
- of which included in discontinuing operations		33.5	616.9	32.1	601.9
Cash flow from financing activities					
Proceeds from exercise of treasury shares (incentive program)		**0.0**	0.0	**0.0**	1.8
Purchase of treasury shares		**(4.0)**	(6.7)	**(27.5)**	(6.7)
Proceeds from issuance of shares, net (equity increase)		**0.1**	0.0	**0.0**	0.0
Dividends paid to equity holders of Otello Corporation ASA		**0.0**	5.1	**0.0**	9.5
Proceeds from loans and borrowings	7	**0.0**	0.0	**0.0**	135.0
Repayments of loans and borrowings	7	**(100.0)**	(186.4)	**(100.3)**	(186.4)
Dividends paid to equity holders of Otello Corporation ASA		**0.0**	(260.6)	**0.0**	(260.6)
Payment of finance lease liabilities		**0.0**	(1.0)	**0.0**	(5.0)
Net cash flow from financing activities		**(103.9)**	(449.5)	**(127.7)**	(312.3)
- of which included in continuing operations		(103.9)	(448.5)	(127.7)	(307.4)
- of which included in discontinuing operations		(0.0)	(1.0)	0.0	(5.0)
Net change in cash and cash equivalents		**(74.6)**	124.1	**(136.9)**	121.8
Cash and cash equivalents (beginning of period) [2]		**161.7**	95.4	**219.5**	97.6
Effects of exchange rate changes on cash and cash equivalents [3]		**(1.1)**	0.0	**3.4**	0.0
Cash and cash equivalents		**86.0**	219.5	**86.0**	219.5
- of which included in cash and cash equivalents in the balance sheet		**86.0**	219.5	**86.0**	219.5
- of which included in the assets of the disposal group (assets held for sale)		**0.0**	0.0	**0.0**	0.0

[1] *In Q4 2017, $0.0 million (YTD: 0.0) is related to initial payments for the purchase of subsidiaries, and $0.0 million (YTD: 28.4) is related to earnout payments with cash effect.*
In Q4 2016, $0.0 million (YTD: 0.0) was related to initial payments for the purchase of subsidiaries, and $15.2 million (YTD: 156.4) was related to earnout payments with cash effect.
[2] *$1.7 million (12/31/2016: $4.2 million) is restricted cash and cash equivalents as of December 31, 2017.*
[3] *Effects of exchange rate changes on cash and cash equivalents per YTD has been increased by $3.4 million.*

Reconciliation of profit (loss) before taxes	4Q 2017	4Q 2016	YTD 2017	YTD 2016
Profit (loss) before income taxes	**1.0**	(27.1)	**(48.7)**	(65.2)
Profit (loss) from discontinuing operations, net of tax	**30.9**	517.6	**30.7**	488.2
Provision for taxes, discontinued operations	**0.0**	5.2	**(0.1)**	8.5
Profit (loss) before taxes, as presented in the statement of cash flows above	**31.8**	495.7	**(18.1)**	431.4

Consolidated statement of changes in equity

(USD million) (Unaudited)	Number of shares	Paid-in capital	Other reserves	Reserve for own shares	Trans-lation reserve	Other equity	Total equity
Equity as of 12/31/2016	**147.7**	**348.5**	**49.1**	**(34.7)**	**(2.5)**	**159.2**	**519.6**
Comprehensive income (loss)							
Profit (loss)						(21.1)	(21.1)
Other comprehensive income (loss)							
Foreign currency translation differences					(2.2)		(2.2)
Total comprehensive income (loss)		**0.0**	**0.0**	**0.0**	**(2.2)**	**(21.1)**	**(23.3)**
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	**(6.7)**	**(0.0)**	**2.0**	**(27.4)**	**0.0**	**(0.0)**	**(25.5)**
Other equity changes							
Other changes			(0.0)			(1.9)	(1.9)
Total other equity changes		**0.0**	**(0.0)**	**0.0**	**0.0**	**(1.9)**	**(1.9)**
Equity as of 12/31/2017	**141.0**	**348.4**	**51.0**	**(62.1)**	**(4.7)**	**136.3**	**469.0**

During 4Q 2017, Otello purchased 1,342,763 (YTD: 7,142,206) own shares for $4.0 million (YTD: $27.5 million), and sold 0 (YTD: 443,205) own shares. As of December 31, 2017, Otello owned 8,462,763 own shares.

During 4Q 2017, 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.

Other equity changes during 2017 comprise an adjustment made to correctly eliminate an intercompany transaction from 2016 concerning the sale of the Opera Mobile Store business between two group entities and a tax adjustment.

Equity as of 12/31/2015	**145.3**	**343.8**	**38.4**	**(34.7)**	**13.9**	**(6.6)**	**354.9**
Comprehensive income (loss)							
Profit (loss)						426.4	426.4
Other comprehensive income (loss)							
Foreign currency translation differences					(16.4)		(16.4)
Total comprehensive income (loss)		**0.0**	**0.0**	**0.0**	**(16.4)**	**426.4**	**410.1**
Contributions by and distributions to owners							
Dividends						(260.6)	(260.6)
Issuance of ordinary shares related to business combinations							0.0
Issuance of ordinary shares related to incentive program	**3.8**	11.3					11.3
Issuance of ordinary shares related to equity increase							0.0
Treasury shares purchased	**(1.4)**	(6.7)					(6.7)
Treasury shares sold							0.0
Tax deduction on equity issuance costs							0.0
Share-based payment transactions			10.7				10.7
Total contributions by and distributions to owners	**2.5**	**4.6**	**10.7**	**0.0**	**0.0**	**(260.6)**	**(245.3)**
Other equity changes							
Other changes			0.0			(0.0)	(0.0)
Total other equity changes		**0.0**	**0.0**	**0.0**	**0.0**	**(0.0)**	**(0.0)**
Equity as of 12/31/2016	**147.7**	**348.5**	**49.1**	**(34.7)**	**(2.5)**	**159.3**	**519.6**

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 (f/k/a 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 interests in associates. Otello corporation is traded under the ticker "Otello" at Oslo Stock Exchange.

Note 2 - Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The interim financial statements do not include all of the information and disclosures required for a complete set of financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2016. The interim financial statements have not been subject to audit or review.

Note 3 - Basis of accounting

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2016.

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.

There were no new standards, interpretations or amendments to published standards that were effective from January 1, 2017 that have significantly affected the interim financial statements for 2017.

In the interim financial statements for 2017, judgements, estimates and assumptions have been applied that may affect the use of accounting principles, carrying values of assets and liabilities, revenues and expenses. Actual values may differ from these estimates. The major assumptions applied in the interim financial statements for 2017 and the major sources of uncertainty in the statements are similar to those found in the Group's consolidated financial statements for 2016.

The sale of substantially all of the Group's Consumer business was completed as of November 3, 2016. Further, the Group sold a majority stake in its TV business on December 19, 2016, and the SurfEasy business was sold on November 6, 2017. Because these components of the Group represented a major line of business, historical results have been restated to reflect the results of operations of the assets that have been disposed as discontinued operations.

IFRS 15 Revenue from Contracts with Customers is effective from January 1, 2018. Following a preliminary assessment, Otello does not expect the adoption of IFRS 15 to have any significant effects on the Group's revenue recognition when it is implemented in the Group's consolidated financial statements for 2018.

IFRS 9 Financial Instruments - Classification and Measurement is effective from January 1, 2018. The adoption of IFRS 9 is not expected to have a significant impact on the classification and measurement of the Group's financial assets and liabilities.

IFRS 16 Leasing is effective from January 1, 2019. 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.

Note 4 - Contingent liabilities and provisions

Valuation techniques and significant unobservable inputs:
Please see note 11 in the 2016 Annual Report for information regarding the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

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

Contingent consideration - Net present value *(USD million)*	AdColony	Bemobi	Individually immaterial	Total
Non-current consideration	-	**48.1**	**6.2**	**54.3**
Current consideration	**3.1**	**15.7**	**6.6**	**25.4**
Balance as of 12/31/2016	**3.1**	**63.8**	**12.8**	**79.7**
Assumed in a business combination	-	-	-	**-**
Paid	(3.1)	(9.1)	(2.4)	**(14.6)**
Finance expense (income) - FX	-	(0.6)	(0.1)	**(0.8)**
Finance expense - interest	-	2.1	0.5	**2.6**
Finance expense (income) - change in likelihood	-	0.5	0.7	**1.2**
Translation differences	0.0	2.4	0.1	**2.5**
OCI	-	-	-	**-**
Balance as of 3/31/2017	**0.0**	**58.9**	**11.6**	**70.6**
Assumed in a business combination	-	-	-	**-**
Paid	-	(1.8)	(6.6)	**(8.3)**
Finance expense (income) - FX	-	2.8	(0.4)	**2.4**
Finance expense - interest	-	1.9	0.1	**2.0**
Finance expense (income) - change in likelihood	-	(0.9)	(0.2)	**(1.1)**
Translation differences	-	(2.7)	0.4	**(2.4)**
OCI	-	-	-	**-**
Balance as of 6/30/2017	**-**	**58.2**	**5.1**	**63.3**
Assumed in a business combination	-	-	-	**-**
Paid	-	(8.9)	-	**(8.9)**
Finance expense (income) - FX	-	(0.6)	(0.2)	**(0.8)**
Finance expense - interest	-	0.7	0.2	**0.9**
Finance expense (income) - change in likelihood	-	(1.3)	-	**(1.3)**
Translation differences	-	2.7	0.2	**2.9**
OCI	-	-	-	**-**
Balance as of 9/30/2017	**-**	**50.9**	**5.3**	**56.1**
Assumed in a business combination	-	-	-	**-**
Paid	-	-	-	**-**
Finance expense (income) - FX	-	0.6	(0.1)	**0.5**
Finance expense - interest	-	1.6	0.2	**1.8**
Finance expense (income) - change in likelihood	-	(2.3)	-	**(2.3)**
Translation differences	-	(2.3)	0.1	**(2.2)**
OCI	-			**-**
Balance as of 12/31/2017	**-**	**48.5**	**5.4**	**53.9**
Non-current consideration	-	28.5	-	**28.5**
Current consideration	-	20.0	5.4	**25.4**
Balance as of 12/31/2017	**-**	**48.5**	**5.4**	**53.9**

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**

Estimated payments *(USD million)*	AdColony	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 EBITDA, the amount to be paid under each scenario, and the probability of each scenario.

Contractual maximum payments *(USD million)*	AdColony	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**

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

Sensitivity analysis

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

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

Effect on net present value *(USD million)*	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 5 - Financial risk

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

Revenue by currency *(USD million)*	**4Q 2017**	**%**		**YTD 2017**	**%**
USD	**74.4**	75.0%	USD	**333.0**	79.5%
BRL	**10.6**	10.6%	BRL	**41.3**	9.9%
TRY	**4.5**	4.5%	TRY	**12.3**	2.9%
EUR	**2.4**	2.5%	EUR	**5.8**	1.4%
DKK	**1.1**	1.1%	GBP	**5.1**	1.2%
Other	**6.2**	6.2%	Other	**21.4**	5.1%
Total	**99.2**	100.0%	**Total**	**419.0**	100.0%

Operating expenses by currency [1)] *(USD million)*	**4Q 2017**	**%**		**YTD 2017**	**%**
USD	**(75.4)**	74.0%	USD	**(350.6)**	78.7%
BRL	**(5.5)**	5.4%	BRL	**(26.4)**	5.9%
EUR	**(3.9)**	3.8%	GBP	**(13.1)**	2.9%
TRY	**(3.5)**	3.4%	EUR	**(11.9)**	2.7%
Other	**(13.6)**	13.4%	Other	**(43.8)**	9.8%
Total	**(101.9)**	100.0%	**Total**	**(445.7)**	100.0%

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

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

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

(USD million)	**Recalculated with 4Q 2016 rates**	**FX effect using 4Q 2016 rates**	**Recalulated with 3Q 2017 rates**	**FX effect using 3Q 2017 rates**
Revenue	**99.3**	**0.1**	**100.3**	**1.1**
Expenses	**(102.2)**	**(0.3)**	**(103.0)**	**(1.1)**

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Note 6 - Financial items

Financial items *(USD million)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)
Other interest income (expense), net	**(0.6)**	(2.0)	**(2.5)**	(3.1)
Interest expense related to contingent consideration	**(1.8)**	(8.1)	**(7.3)**	(24.2)
FX gains (losses) related to contingent consideration, net	**(0.5)**	(1.1)	**(1.3)**	14.3
Other FX gains (losses), net	**14.3**	18.4	**4.7**	0.8
Revaluation of contingent consideration	**2.3**	(17.2)	**3.5**	(22.8)
Share of profit (loss) from associated companies	**0.1**	(0.1)	**0.4**	(0.1)
Net financial items (loss)	**13.8**	(10.0)	**(2.6)**	(35.1)

Note 7 - Liquidity risk

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). During Q4 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 trade receivables in the parent company.

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

Note 8 - Accounts receivable and other receivables

Accounts receivable and other receivables *(USD million)*	12/31/2017 (Unaudited)	12/31/2016 (Unaudited)
Accounts receivable	**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 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 non-trade receivables, 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 (12/31/2016: 5.4) was related to escrow payments in connection with acquisitions.

Note 9 - Alternative performance measures

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

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

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

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

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

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

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

See below for a reconciliation of EBIT to Adjusted EBITDA, and EBIT to 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)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)
Total operating revenue	**99.2**	142.5	**419.0**	532.2
Publisher and revenue share cost	**(59.3)**	(83.5)	**(249.6)**	(310.1)
Gross profit	**39.9**	59.0	**169.5**	222.0

Reconciliation of operating profit (loss) to adjusted EBITDA *(USD million)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)
Operating profit (loss), ("EBIT")	**(12.8)**	(17.1)	**(46.1)**	(30.1)
Depreciation, amortization, and impairment expenses	**9.3**	31.6	**37.5**	65.8
EBITDA	**(3.5)**	14.5	**(8.6)**	35.7
Restructuring and impairment costs	**4.9**	0.8	**14.2**	4.3
Stock-based compensation expenses	**1.5**	2.3	**7.8**	9.4
Adjusted EBITDA	**2.9**	17.7	**13.5**	49.4

Reconciliation of operating profit (loss) to normalized EBIT *(USD million)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)
Operating profit (loss), ("EBIT")	**(12.8)**	(17.1)	**(46.1)**	(30.1)
Restructuring and impairment costs	**4.9**	19.8	**14.2**	24.1
Amortization of acquired intangible assets	**3.3**	6.6	**20.7**	31.9
Normalized EBIT	**(4.5)**	9.3	**(11.1)**	25.9

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Note 10 - Discontinued operations

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

SurfEasy, one of Otello's four subsidiaries, is an online privacy and security company providing easy-to-use desktop and mobile VPN solutions to help consumers protect their online privacy and security.

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
On November 4, 2016, Otello announced that the transaction between the Group 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") was successfully closed. $38 million of the amount held in escrow ($575 million) that was not to be released on the closing of the transaction, was released in subsequent installments in December 2016, following the completion of the reorganization of the Consumer Business.

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 through preferred shares in Last Lion Ltd. which will indirectly own Opera TV (the "Transaction). 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	**4Q 2017**	**4Q 2016**	**%**	**YTD 2017**	**YTD 2016**	**%**
(USD million, except earnings per share)	(Unaudited)	(Unaudited)	**change**	(Unaudited)	(Unaudited)	**change**
Revenue	**1.0**	21.3	-95 %	**6.9**	126.1	-95 %
Operating expenses	**(4.3)**	(16.5)	-74 %	**(10.6)**	(110.0)	-90 %
Operating profit ("EBIT"), excluding restructuring costs	**(3.3)**	4.8		**(3.7)**	16.1	
Restructuring and impairment costs	**0.0**	(2.8)		**0.0**	(15.8)	
Operating profit ("EBIT")	**(3.3)**	2.0		**(3.7)**	0.3	
Net financial items (loss)	**(2.2)**	10.2		**(2.1)**	(14.4)	
Profit (loss) before income tax	**(5.5)**	12.1		**(5.8)**	(14.1)	
Provision for taxes[2)]	**(0.0)**	(5.2)		**0.1**	(8.5)	
Profit (loss) from discontinued operations, net of tax	**(5.5)**	6.9		**(5.7)**	(22.5)	
Net (gain) loss from sale of discontinued operations, net of tax	**36.4**	510.7		**36.4**	510.7	
Profit (loss) from discontinued operations	**30.9**	517.6		**30.7**	488.2	
Earnings per share (discontinued operations):						
Basic earnings (loss) per share (USD)	**-0.04**	0.05		**-0.04**	(0.15)	
Diluted earnings (loss) per share (USD)	**-0.04**	0.05		**-0.04**	(0.15)	
Shares used in earnings per share calculation	**141,955,422**	148,036,567		**144,484,637**	146,587,577	
Shares used in earnings per share calculation, fully diluted	**141,955,422**	148,036,567		**144,484,637**	146,587,577	

1) Payroll and related expenses excludes stock-based compensation expenses.
2) The quarterly and YTD provision for taxes is based on an estimated tax rate for the Group.

Cash flow information	**4Q 2017**	**4Q 2016**	**YTD 2017**	**YTD 2016**
(USD million)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flow from operating activities	(0.6)	(27.5)	1.2	(38.3)
Cash flow from investment activities	33.5	616.9	32.1	601.9
Cash flow from financing activities	(0.0)	(1.0)	0.0	(5.0)

Effect of disposal on the financial position of the Group

(USD million)	12/31/2017 (Unaudited)	12/31/2016 (Unaudited)
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	**0.0**	**0.0**
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 11 - Segments

Revenue *(USD million)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	% change	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)	% change
AdColony (Mobile Advertising)	**84.9**	128.3	-34 %	**364.9**	484.2	-25 %
Bemobi (Apps & Games)	**14.1**	12.8	10 %	**52.9**	48.2	10 %
Skyfire (Performance & Privacy)	**0.3**	1.8	-82 %	**2.6**	4.7	-44 %
Corporate costs	**0.1**	(0.0)	N/A	**0.1**	(0.0)	N/A
Eliminations	**(0.1)**	(0.3)	0%	**(0.3)**	(0.3)	0%
Total continued operations [1]	**99.3**	142.6	-30 %	**420.2**	536.8	-22 %

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

Gross profit *(USD million)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	% change	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)	% change
AdColony (Mobile Advertising)	**29.1**	48.7	-40 %	**128.5**	185.8	-31 %
Bemobi (Apps & Games)	**10.5**	8.4	25 %	**38.2**	31.6	21 %
Skyfire (Performance & Privacy)	**0.3**	1.8	-82 %	**2.7**	4.7	-43 %
Corporate costs	**0.0**	0.0	N/A	**0.1**	0.0	N/A
Eliminations	**0.0**	0.0	0%	**(0.0)**	0.0	0%
Total continued operations [1]	**39.9**	59.0	-32 %	**169.5**	222.0	-24 %

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

Adjusted EBITDA [2] *(USD million)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	% change	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)	% change
AdColony (Mobile Advertising)	**(0.9)**	14.0	-106 %	**(1.5)**	40.4	-104 %
Bemobi (Apps & Games)	**5.3**	6.4	-17 %	**22.7**	22.5	1 %
Skyfire (Performance & Privacy)	**(0.4)**	(0.7)	-44 %	**(2.2)**	(7.0)	-68 %
Corporate costs	**(1.1)**	(2.0)	-44 %	**(5.4)**	(6.5)	-17 %
Eliminations	**(0.0)**	0.0	0%	**(0.0)**	0.0	0%
Total continued operations [1]	**2.9**	17.7	-83 %	**13.5**	49.4	-73 %

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

EBITDA *(USD million)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	% change	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)	% change
AdColony (Mobile Advertising)	**(6.8)**	11.8	-157 %	**(20.2)**	28.3	-171 %
Bemobi (Apps & Games)	**5.3**	6.3	-16 %	**22.6**	22.0	2 %
Skyfire (Performance & Privacy)	**(0.6)**	(0.7)	-17 %	**(3.0)**	(7.4)	-59 %
Corporate costs	**(1.4)**	(4.5)	-68 %	**(8.0)**	(13.0)	-39 %
Eliminations	**0.0**	0.0	0%	**0.0**	0.0	0%
Total continued operations [1]	**(3.5)**	12.9	-127 %	**(8.6)**	29.9	-129 %

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

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Note 11 - Segments (continued)

Normalized EBIT [2] *(USD million)*	**4Q 2017** (Unaudited)	**4Q 2016** (Unaudited)	**% change**	**YTD 2017** (Unaudited)	**YTD 2016** (Unaudited)	**% change**
AdColony (Mobile Advertising)	**(7.5)**	7.1	-206 %	**(22.8)**	23.3	-198 %
Bemobi (Apps & Games)	**5.0**	5.9	-15 %	**21.3**	18.9	13 %
Skyfire (Performance & Privacy)	**(0.4)**	(0.7)	-37 %	**(2.3)**	(8.6)	-73 %
Corporate costs	**(1.6)**	(3.1)	-48 %	**(7.4)**	(7.6)	-3 %
Eliminations	**0.0**	0.0	0%	**(0.0)**	0.0	0%
Total continued operations [1]	**(4.5)**	9.3	-149 %	**(11.1)**	25.9	-143 %

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

EBIT *(USD million)*	**4Q 2017** (Unaudited)	**4Q 2016** (Unaudited)	**% change**	**YTD 2017** (Unaudited)	**YTD 2016** (Unaudited)	**% change**
AdColony (Mobile Advertising)	**(14.9)**	(13.8)	8 %	**(48.6)**	(16.4)	196 %
Bemobi (Apps & Games)	**4.3**	0.4	946 %	**14.2**	6.1	133 %
Skyfire (Performance & Privacy)	**(0.6)**	(0.7)	-17 %	**(3.0)**	(12.3)	-75 %
Corporate costs	**(1.6)**	(5.9)	-73 %	**(8.6)**	(14.5)	-40 %
Eliminations	**0.0**	0.0	0%	**(0.0)**	0.0	0%
Total continued operations [1]	**(12.8)**	(19.9)	-36 %	**(46.1)**	(37.1)	24 %

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

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

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

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

Skyfire (Performance & Privacy)
Performance and Privacy Apps revenue is primarily comprised of license fees from Rocket Optimizer™

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

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Note 11 - Segments (continued)

Segment figures 4Q 2017	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	**99.3**	**1.0**	**(0.1)**	**100.3**	99.2	1.0
Gross profit	**39.9**	**0.9**	**(0.0)**	**40.9**	39.9	0.9
Adjusted EBITDA	**2.9**	**(3.1)**	**0.0**	**(0.2)**	2.9	(3.1)
EBITDA	**(3.5)**	**(3.1)**	**(0.0)**	**(6.6)**	(3.5)	(3.1)
Normalized EBIT	**(4.5)**	**(3.2)**	**(0.0)**	**(7.8)**	(4.5)	(3.2)
EBIT	**(12.8)**	**(3.3)**	**(0.0)**	**(16.1)**	(12.8)	(3.3)

Segment figures 4Q 2016 Restated *(USD million)*	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	142.6	21.2	0.1	163.9	142.5	21.3
Gross profit	59.0	21.3	(0.0)	80.3	59.0	21.3
Adjusted EBITDA	17.7	4.1	0.0	21.8	17.7	4.1
EBITDA	12.9	5.2	0.0	18.1	14.5	3.6
Normalized EBIT	9.3	5.0	0.0	14.3	9.3	5.0
EBIT	(19.9)	4.8	0.0	(15.1)	(18.3)	3.2

Segment figures YTD 2017 *(USD million)*	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	**420.2**	**6.9**	**(1.1)**	**425.9**	419.0	6.9
Gross profit	**169.5**	**6.0**	**0.0**	**175.5**	169.5	6.0
Adjusted EBITDA	**13.5**	**(2.3)**	**0.0**	**11.3**	13.5	(2.3)
EBITDA	**(8.6)**	**(2.5)**	**(0.0)**	**(11.1)**	(8.6)	(2.5)
Normalized EBIT	**(11.1)**	**(3.0)**	**(0.0)**	**(14.2)**	(11.1)	(3.0)
EBIT	**(46.1)**	**(3.7)**	**(0.0)**	**(49.8)**	(46.1)	(3.7)

Segment figures YTD 2016 Restated *(USD million)*	Continued operations (incl. ICP) (Unaudited)	Discontinued operations (incl. ICP) (Unaudited)	Eliminations (ICP) (Unaudited)	Total Group (net of ICP) (Unaudited)	Continued operations (net of ICP) (Unaudited)	Discontinued operations (net of ICP) (Unaudited)
Revenue	536.8	126.0	(4.5)	658.2	532.2	126.1
Gross profit	222.0	123.6	-	345.7	222.0	123.6
Adjusted EBITDA	49.4	30.2	-	79.5	49.4	30.2
EBITDA	29.9	21.2	-	51.2	35.7	15.5
Normalized EBIT	25.9	16.2	-	42.2	25.9	16.2
EBIT	(37.1)	7.3	-	(29.8)	(30.1)	0.3

Note 11 - Segments (continued)

Segment revenue 4Q 2017 (USD million)	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate costs (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
External revenue	84.9	14.1	0.3	0.1	-	99.3
Intercompany revenue	0.0	-	0.1	-	(0.1)	0.0
Total continued operations	**84.9**	**14.1**	**0.3**	**0.1**	**(0.1)**	**99.3**

Segment revenue 4Q 2016 Restated (USD million)	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate costs (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
External revenue	128.2	12.8	1.6	(0.0)	-	142.5
Intercompany revenue	0.1	0.0	0.3	(0.0)	(0.3)	0.1
Total continued operations	**128.3**	**12.8**	**1.8**	**(0.0)**	**(0.3)**	**142.6**

Segment revenue YTD 2017 (USD million)	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate costs (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
External revenue	364.8	52.9	2.4	0.1	-	420.2
Intercompany revenue	0.0	-	0.2	-	(0.3)	0.0
Total continued operations	**364.9**	**52.9**	**2.6**	**0.1**	**(0.3)**	**420.2**

Segment revenue YTD 2016 Restated (USD million)	AdColony (Mobile Advertising) (Unaudited)	Bemobi (Apps & Games) (Unaudited)	Skyfire (P&P) (Unaudited)	Corporate costs (Unaudited)	Eliminations (Unaudited)	Total continued operations (Unaudited)
External revenue	480.4	48.2	3.6	(0.0)	-	532.2
Intercompany revenue	3.8	0.0	1.1	(0.0)	(0.3)	4.6
Total continued operations	**484.2**	**48.2**	**4.7**	**(0.0)**	**(0.3)**	**536.8**

Note 12 - Investment in associated companies

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

Information regarding Last Lion Holdings Ltd *(USD million)*	4Q 2017 (Unaudited)	YTD 2017 (Unaudited)
Revenue	16.4	43.6
EBIT	9.1	18.9
Net profit (loss)	2.8	3.7
Assets		127.3
Non-current liabilities		86.0
Current liabilities		9.3
Equity		32.0
Otello's share of equity		8.6

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

Balance as of 12/31/2016	**7.9**
Investment during the fiscal year	-
FX adjustment	0.5
Share of the profit (loss)	0.3
Elimination	-
Balance as of 12/31/2017	**8.6**

Note 13 - Restructuring costs

During 2017, Otello recognized restructuring costs 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 costs *(USD million)*	4Q 2017 (Unaudited)	4Q 2016 (Unaudited)	YTD 2017 (Unaudited)	YTD 2016 (Unaudited)
Salary restructuring cost	**(5.1)**	(0.8)	**(10.0)**	(4.5)
Option restructuring cost	**5.2**	0.0	**5.2**	0.2
Office restructuring cost	**(4.9)**	0.0	**(8.1)**	0.0
Impairment cost	**0.0**	(19.0)	**0.0**	(19.8)
Legal and other costs related to business combinations	**(0.1)**	0.0	**(1.2)**	0.0
Other restructuring cost	**0.0**	0.0	**(0.1)**	(0.1)
Total	**(4.9)**	(19.8)	**(14.2)**	(24.1)

Note 14 - 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 Q4.

Cash-generating units

Goodwill acquired through business combinations has previously been allocated to individual cash-generating units as presented in the reconciliation 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 Bemobi International business are treated as a separate CGUs as previously.

Discounted cash flow models are applied to determine the value in use for the cash-generating units with goodwill. 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. For the Bemobi International business CGU, the recoverable amounts 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)	Apps & Games (Legacy)
Revenue growth (average) [1]	21.5 %	10.0 %	1.4 %
EBITDA Margin growth (average) [2]	3.8 points	0.8 points	N/A
Discount rate after tax	10.3 %	19.4 %	9.4 %
Discount rate before tax	16.0 %	29.9 %	15.6 %
Nominal growth rate in terminal value [3]	2.5 %	2.5 %	-0.5 %

[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.*

[3] *Nominal growth rate is negative for Bemobi International business due to the expected shift from this feature phone platform to the Bemobi platform that serves smart phones.*

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.

Average EBITDA margin

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.

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.

Note 14 - Impairment testing (continued)

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 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 15 - Events after the reporting date

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

Restructuring
In light of the business model shifts that we have seen in 2017, we initiated a restructuring program in AdColony which will have material impact on 2018 costs and is expected to yield over USD 50 million in annualized OPEX savings over the cost level entering 2017, with close to full effect from 1Q18 as we target an OPEX base of around USD 90 million.

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.

For announcements of new contracts and other information, please also see announcements published on the Oslo Stock Exchange website (www.oslobors.no).