

Opera Software

Second quarter 2007



The best Internet experience on any device



OPERA SOFTWARE ASA – SECOND QUARTER 2007

Opera delivered revenues of MNOK 75.3 in 2Q07, up 44% versus 2Q06, and a positive EBIT of MNOK 2.5, driven by strong growth in both the Internet Devices and Desktop segments.

Highlights

- Revenues of MNOK 75.3 in 2Q07, up from MNOK 52.2 in 2Q06, an increase of 44%. EBIT was MNOK 2.5 in 2Q07 compared to MNOK 2.2 in 2Q06. EBITDA in 2Q07 was MNOK 4.0. EBITDA, excluding stock options costs, was MNOK 7.4

Business area

- Revenue from Internet Devices rose to MNOK 59.7 in 2Q07 compared to MNOK 46.3 in 2Q06, an increase of 29%.
- The number of mobile phones sold with the Opera browser was 8.8 million in 2Q07, compared to 7.2 million units in 2Q06. This represents an increase of 22% in 2Q07 compared to 2Q06
- 23 new mobile phones that include the Opera Mobile browser pre-installed and 12 new mobile phones that include Opera Mini pre-installed were announced in 2Q07
- Opera announced a deal with Vodafone D2, one of the leading operators in Germany, to deliver Opera Mini and related services in close collaboration with partner Bytemobile
- TMN, the premier operator in Portugal, announced its new mobile Web push, featuring Opera Mini
- Sony Ericsson launched its new flagship smartphone, P1, with the Opera Mobile browser. Sony Ericsson also introduced its new Walkman handset, W960i
- Willcom, a leading operator in Japan, chose Opera Mobile to power its new Windows Mobile-based smartphone, the W-ZERO3(es) Advanced
- Opera announced that it will deliver the Web on several versions of Motorola's next generation RAZR handsets and the ROKR Z6
- KDDI in Japan introduced its new Summer series, featuring 12 new mobile handsets with Opera Mobile
- Opera announced 4 non-mobile devices in 2Q07 (Westell Media Terminal, the Tilgin Mood 300, the Tilgin Mood 400, and the Palm Foleo), bringing total non-mobile announcements in the 1H2007 to 6

Consumer area

- Revenues from Desktop segment increased 165% in 2Q07 compared to 2Q06 as global usage continues to grow
- Growth in global usage of Opera Mini continues. As of June 30, 2007, more than 18 million people have downloaded and used Opera Mini to surf 6.9 billion Web pages, generating strong data traffic, and therefore revenues, for mobile operators worldwide
- The number of registered My Opera users grew to 877 650 by the end of June, up 44% from end of 2006 and up 112% from 2Q 2006
- Opera Mini 4 launched in beta version on June 19. Opera Mini 4 is a complete redesign of the world's most popular mobile Web browser
- Onet.pl, Poland's largest Web portal, and Opera partnered to provide new and enhanced Web services across PC and mobile platforms
- Nintendo introduced the Opera browser for the Nintendo DS in the North American market

Financials

Revenues

Revenue in 2Q07 was MNOK 75.3, up 44% from 2Q06, when revenue was MNOK 52.2. Revenue growth in the quarter was driven by attractive growth across all business segments.

Operating costs

Total operating costs for 2Q07 were MNOK 72.8 compared to MNOK 50.0 in 2Q06, an increase of 46%.

Payroll and related expenses, excluding stock option costs: Total payroll and related expenses, excluding stock option costs, were MNOK 49.3 in 2Q07 compared to MNOK 31.7 in 2Q06, an increase of 55%. This increase was due primarily to higher headcount in engineering and sales and marketing globally.

Stock option costs: Total stock option costs for 2Q07 were MNOK 3.4 compared to MNOK -0.7 in 2Q06.

Other operating expenses: Other operating expenses in 2Q07 were MNOK 18.6 compared to MNOK 18.1 in 2Q06, an increase of 3%. Increased other operating expenses are largely attributable to higher indirect costs associated with both higher headcount and the company's global expansion.

EBIT

EBIT was MNOK 2.5 in 2Q07 compared to MNOK 2.2 in 2Q06. EBIT, excluding stock option costs, was MNOK 5.9 in 2Q07 versus MNOK 1.5 in 2Q06. EBITDA in 2Q07 was MNOK 4.0. EBITDA, excluding stock options costs, was MNOK 7.4.

Interest income and FX gains/(losses)

Interest income was MNOK 3.9 in 2Q07 versus MNOK 1.9 in 2Q06. Opera had a foreign exchange loss of MNOK 2.7 in 2Q07 compared to MNOK 2.1 in 2Q06.

Net income

Net income was MNOK 2.2 in 2Q07 compared to MNOK 1.4 in 2Q06. EPS and fully diluted EPS were 0.02 and 0.02, respectively, in 2Q07, compared to 0.01 and 0.01 respectively, in 2Q06.

Liquidity and capital resources

The Company's net cash flow from operating activities was MNOK 31.9 in 2Q07 compared to MNOK 6.9 in 2Q06. The positive cash flow in 2Q07 is largely attributable to a positive result and lower accounts receivable balances.

Cash: Cash and cash equivalents at the end of 2Q07 were MNOK 463.1 vs. MNOK 423.9 as of the end of 1Q07.

Organization: At the end of 2Q07, the Company had 391 full-time employees compared to 319 at the end of 2Q06.

Segment overview

Opera's corporate mission is to provide the best Internet experience on any device. The company continues to deliver on its mission in 2007, with Opera powering the Internet on not only a growing range of mobile phones, but also on a broader array of non-mobile Internet-connected devices, such as IP set-top boxes, portable media players, gaming consoles, and VoIP phones. Moreover, attractive growth continues for Opera's desktop product, driven largely by increases in the number of users.

In January 2006, Opera launched Opera Mini. With Opera Mini, almost any mobile phone can display Web sites, Web email services and more. Opera offers customer- and Opera-branded versions of Opera Mini to OEMs, mobile operators, and content providers, and provides Opera-branded solutions directly to end consumers both from its corporate website and indirectly through its business partners.

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Internet Devices

Internet Devices includes revenue from both mobile phones and other connected devices, such as game consoles, IP TV set-top boxes and portable media players. The segment also includes Opera Mini revenue from mobile operators such as T-Mobile and Telefónica, as well as revenue generated from the Opera-branded Opera Mini product.

Revenue from Internet Devices rose to MNOK 59.7 in 2Q07 compared to MNOK 46.3 in 2Q06, an increase of 29%.

Opera Mobile

Shipped on millions of devices from major mobile phone manufacturers and operators worldwide, the Opera browser lets users surf the full Web on their mobile phones.

Revenues from Opera Mobile continued to grow in the first quarter as Opera gets pre-installed on an increasing number of 3G handsets among its OEM and operator customers.

In the quarter, Opera was included on 19 mobile phones from a variety of OEMs. So far this year, 52 mobile phones featuring Opera Mobile have been announced. This compares with the annual total of 37 handsets for FY2006. Notable announcements include 12 new phones from KDDI OEMs, 3 new next generation phones from Motorola and the P1 and W960i from Sony Ericsson.

Opera Mini

Business

Opera has comprehensive licensing and services deals with 6 major operators - T-Mobile International, Vodafone D2, Telefónica Móviles de España, PTC/era (Poland), TMN (Portugal) and an as-of-yet unnamed operator - using a version of the Opera Mini browser as part of their Web-enabled handset portfolios. Opera's revenue sources from these include license/royalty, delivery services, hosting services, and maintenance and support. Since launch through 2Q07, Opera has signed distribution deals for the Opera Mini browser with 12 mobile operators.

In 2Q07, 12 new phones were announced with Opera Mini pre-installed. So far this year, 27 mobile phones featuring Opera Mini have been announced.

Consumer

As of June 30, 2007, more than 18 million people had downloaded and used Opera Mini on their mobile phones and browsed 6.9 billion Web pages.

Opera's primary revenue generator for the Opera-branded version of Opera Mini is search, although Opera is working on additional revenue sources. Opera's primary objectives at this time are to increase usage and gain more users worldwide.

Opera Mini 4 launched in beta version on June 19. Opera Mini 4 is a complete redesign of the world's most popular mobile Web browser. A new overview mode empowers people to browse their favorite Web sites just like they do on their PC. In the words of New York Times: "If You Like the Safari Browser for the iPhone, You'll Love Opera Mini for Cellphones"

Opera Devices

Opera provides an optimized implementation of Internet technologies for handheld devices, digital TV and other devices, with innovative and powerful features that seamlessly adapt the Internet experience to suit varying screen sizes and input devices.

Opera for Devices continues to grow in its core market segments, as Opera's browsers get installed on an increasing array of non-mobile phone Internet-connected devices, such as game consoles, portable media players and net TVs.

Key 2Q07 announcements include the Westell Media Terminal, a broadband smartphone (Westell is a leading broadband access equipment provider), and the Palm Foleo, a smartphone companion designed to complete the mobile experience. Moreover, Opera announced that its browser will be included on the set-top boxes Mood 300 and Mood 400 from Sweden-based Tilgin.

In addition, a major milestone was reached in 2Q07 with the launch of the final version of the Opera browser for the Nintendo Wii.

Desktop

Since the first public release in 1996, Opera has remained at the forefront of browser innovation on desktop PCs. Opera's desktop browser provides its users with a safe, efficient and enjoyable browsing experience.

Revenue from Desktop rose 165% in 2Q07 to MNOK 15.6, compared to MNOK 5.9 in 2Q06.

The strong increase in Desktop revenue in 2Q07 compared to 2Q06 is largely attributable to an increase in users and higher average revenue per user.

Opera launched its Speed Dial feature with Opera 9.2. The Speed Dial feature offers Opera users a richer, more personal and more efficient Web experience.

Outlook

Opera remains positive about the Company's long-term growth prospects, as consumers worldwide embrace and access the Internet through a growing array of mobile and non-mobile phone devices. Opera believes it is well-positioned to take advantage of the "mega-trends" within both the mobile phone and consumer electronics industries. The Company also sees positive growth prospects in the Desktop segment as its user base grows worldwide.

Opera's key operational priorities in FY2007 include (i) focusing and investing in a more aggressive manner in the Consumer area (Desktop, Opera Mini, My Opera), (ii) accelerating momentum among mobile phone operators worldwide, (iii) increasing Opera's position with top mobile phone OEMs globally, and (iv) building on the momentum Opera has going into FY2007 among major consumer electronic OEMs. Moreover, Opera intends to begin capitalizing on its unique cross-platform position and offering content related services to its users, leveraging the fact that its browsers run on a wide and disparate array of device types and form factors.

Oslo, August 27, 2007
The Board of Directors
Opera Software ASA

William J. Raduchel
Chairman
(sign.)

Jon S. von Tetzchner
CEO
(sign.)

Announced handsets featuring Opera Mobile, 2Q07

Sony Ericsson W960i
Sony Ericsson W52S
Sony Ericsson W53S
Sony Ericsson P1
Willcom smartphone
MOTO ROKR Z6
MOTO RAZR2 V8
MOTO RAZR2 V9
Sanyo W52SA
Sanyo W53SA
Casio W52CA
Casio W53CA
Panasonic W52P
Toshiba W53T
Toshiba W54T
Hitachi W52H
Sharp W52SH
Kyocera W44K II
EM-ONE (eMobile)



CONSOLIDATED STATEMENTS OF INCOME

(In thousands of NOK, except per share amounts)

(Unaudited)

INCOME STATEMENT	Q2 2007	Q2 2006	% Increase	1 H 2007	1 H 2006	% Increase
Desktop	15 582	5 875	165 %	30 421	11 995	154 %
Internet Devices	59 716	46 338	29 %	110 274	88 055	25 %
Total Revenue	75 298	52 213	44 %	140 695	100 050	41 %
Payroll and related expenses, excluding stock option costs *)	49 263	31 693	55 %	102 713	64 785	59 %
Stock option costs	3 435	-735	-567 %	5 028	7 695	-35 %
Depreciation and amortization	1 521	1 018	49 %	3 101	1 824	70 %
Other operating expenses	18 587	18 054	3 %	36 341	30 773	18 %
Total Expenses	72 806	50 030	46 %	147 184	105 077	40 %
Earnings Before Interest and Taxes ("EBIT")	2 492	2 183		(6 489)	(5 027)	
Interest income	3 914	1 881		7 495	3 282	
FX gains/losses (negative amount = losses)	(2 695)	(2 145)		(4 225)	(2 840)	
Earnings Before Taxes ("EBT")	3 711	1 919		(3 218)	(4 585)	
Provision for Taxes	(1 522)	(535)		(2 593)	1 286	
Net Income	2 189	1 384		(5 811)	(3 299)	
Earnings Per Share	0,019	0,012		(0,049)	(0,028)	
Earnings Per Share, Fully Diluted	0,017	0,011		(0,049)	(0,028)	
Shares used in per share calculation (mm)	117 428 246	116 578 246		117 428 246	116 578 246	
Shares used in per share calculation, Fully Diluted (mm)	127 302 246	121 784 746		127 302 246	121 784 746	
Number of Employees	391	319	23 %	391	319	23 %

HISTORICAL SUMMARY: LAST 6 QUARTERS	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
<u>Revenue ('1000s of NOK)</u>						
Desktop	15 582	14 839	12 850	8 150	5 875	6 120
Internet Devices	59 716	50 558	47 704	45 030	46 338	41 717
Other	0	0	0	0	0	0
Total Revenue	75 298	65 397	60 554	53 180	52 213	47 837
<u>Revenue (% Growth)</u>						
Desktop	5 %	15 %	58 %	39 %	-4 %	-4 %
Internet Devices	18 %	6 %	6 %	-3 %	11 %	0 %
Total Revenue	15 %	8 %	14 %	2 %	9 %	0 %
<u>Revenue (% of Total Revenue)</u>						
Desktop	21 %	23 %	21 %	15 %	11 %	13 %
Internet Devices	79 %	77 %	79 %	85 %	89 %	87 %
EBIT	2 492	-8 981	-15 690	-6 754	2 183	-7 210
EBIT, excluding stock option costs	5 927	-7 387	-13 616	-6 554	1 448	1 220
EBITDA	4 013	-7 400	-14 295	-5 609	3 328	-6 404
EBITDA, excluding stock option costs	7 448	-5 806	-12 220	-5 409	2 593	2 026
EPS	0,019	(0,068)	(0,109)	(0,018)	0,010	(0,041)
EPS, Fully Diluted	0,017	(0,068)	(0,109)	(0,018)	0,010	(0,041)



CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

BALANCE SHEET	Q2 2007	Q1 2007	Q2 2006	FY 2006	FY 2005
Deferred Taxes	12 321	11 684	5 210	9 651	1 237
Goodwill	3 143	3 143	3 143	3 142	3 142
Fixed Assets, Net	23 709	24 023	14 553	20 753	9 251
Accounts Receivable	50 685	69 327	23 323	55 172	24 822
Accrued, but Unbilled Revenue	28 221	32 145	55 310	43 636	57 142
Other Current Assets	3 552	3 951	5 139	5 426	11 385
Cash and cash equivalents	463 117	423 869	456 727	424 498	218 526
Total Assets	584 748	568 141	563 405	562 278	325 505
Accounts Payable	5 307	2 272	3 084	6 548	4 945
Taxes payable	-241	-62	261	201	548
Social security, PIT and VAT	15 002	9 476	29 855	11 314	16 001
Deferred revenue	31 823	33 762	3 691	22 495	1 975
Other short-term liabilities	25 123	28 783	18 857	22 250	12 086
Total Liabilities	77 014	74 231	55 748	62 808	35 555
Common stock	2 382	2 349	2 332	2 339	2 056
Additional paid-in-Capital	453 854	444 679	435 607	441 190	229 990
Retained earnings	51 498	46 883	69 718	55 941	57 904
Total Equity	507 734	493 911	507 657	499 470	289 950
Total Liabilities and Equity	584 748	568 141	563 405	562 278	325 505

EQUITY STATEMENT	Q2 2007	Q1 2007	1 H 2007	1 H 2006	FY 2006	FY 2005
Opening balance	493 911	499 470	499 470	289 950	289 950	262 420
Net profit/(loss)	2 189	-8 000	-5 811	-3 299	-18 191	2 799
Equity share issue	11 732	2 542	14 274	221 045	227 593	24 823
Other	-98	-101	-199	-40	118	-92
Closing Balance	507 735	493 911	507 734	507 656	499 470	289 950



CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

CASH FLOW STATEMENT	Q2 2007	Q1 2007	1 H 2007	1 H 2006	FY 2006	FY 2005
Cash flow from operating activities						
Profit/loss before taxes	3 711	-6 929	-3 218	-4 585	-18 596	4 618
Taxes paid	-1 776	-3 050	-4 826	-20	-5 655	-878
Depreciation expense	1 521	1 581	3 102	1 823	4 364	2 055
Changes in accounts receivable **)	22 566	-2 664	19 902	3 330	-16 844	-6 174
Changes in accounts payable	3 035	-4 276	-1 241	-1 974	1 490	2 264
Changes in other liabilities, net	682	14 652	15 334	28 200	29 688	-40 362
Share-based remuneration	2 523	1 969	4 492	2 885	5 453	2 995
Conversion discrepancy	-381	-460	-841	35	-9	-45
Net cash flow from operating activities	31 882	824	32 705	29 694	-109	-35 527
Cash flow from investment activities						
Acquisition of tangible fixed assets	-1 843	-1 525	-3 368	-7 204	-13 644	-9 034
Acquisition of shares	0	-500	-500		-50	
Net cash flow from investment activities	-1 843	-2 025	-3 868	-7 204	-13 694	-9 034
Cash flow from financing activities						
Proceeds from exercise of stock options, warrants	9 209	573	9 782	215 711	18 124	21 812
Proceeds of Share Issues, net					201 650	
Net cash flow from financing activities	9 209	573	9 782	215 711	219 774	21 812
Net change in cash and cash equivalents	39 248	-628	38 620	238 201	205 971	-22 749
Cash and cash equivalents ***)	423 869	424 497	424 497	218 526	218 526	241 275
Cash and cash equivalents	463 117	423 869	463 117	456 727	424 497	218 526

*) For Norwegian based employees, vacation is paid out in June. Beginning in 2007 for Norwegian based employees, at the request of the Company's auditors, vacation is accounted for in the financial statements as vacation is taken over the course of the calendar year, as has been the case for non-Norwegian based employees historically.

In previous years for Norwegian based employees only, the vacation payment has been accounted for in June when actually paid out. The effect of this is that approximately MNOK 5 of additional costs are taken in 2Q07 and a comparable amount of less cost will occur in the second half of 2007 compared to what it would have been under the previous accounting treatment.

The actual cash outlays by the Company are exactly the same with both accounting treatments.

**) Changes in unbilled revenue are included in changes in accounts receivable in the cash flow statement.

***) Cash and cash equivalents of NOK 7 180K are restricted assets as of June 30th, 2007. Cash and cash equivalents of NOK 7 387K are restricted assets as of 31 December 2006, and NOK 19 604K are restricted assets as per 31 December 2005.

Note: The 6 months of 2007 financial figures have been prepared based upon the management's interpretation of the current International Financial Reporting Standards (IFRS).

Due to possible changes in existing standards, new understanding and interpretation of existing standards and potential new standards, the figures may change later during 2007.