

# Opera Software

First quarter 2007



The best Internet experience on any device



# OPERA SOFTWARE ASA – FIRST QUARTER 2007

Opera delivered revenues of MNOK 65.4 in 1Q07, up 37% versus 1Q06, driven by growing mobile shipments, continued momentum among non-mobile device manufacturers and stronger desktop revenues.

## Highlights

- Revenues of MNOK 65.4 in 1Q07, up from MNOK 47.8 in 1Q06, an increase of 37%. EBIT was MNOK -9.0 in 1Q07 compared to MNOK -7.2 in 1Q06. EBITDA in 1Q07 was MNOK -7.4. EBITDA, excluding stock options costs, was MNOK -5.8

## Business area

- The number of mobile phones sold with the Opera browser was 10.5 million in 1Q07, compared to 7.7 million units in 1Q06. This represents an increase of 36% in 1Q07 compared to 1Q06
- 29 new mobile phones that include the Opera Mobile browser pre-installed and 15 new mobile phones that include Opera Mini pre-installed were announced in 1Q07. Opera announced a total of 37 new models in 2006 for the Opera Mobile browser and 35 for Opera Mini
- The leading manufacturer of Windows Mobile-based devices, HTC, selected Opera to power upcoming devices
- Opera signed agreement with Palm Inc.
- Opera announced 3 non-mobile devices in 1Q07 (Tranzas TRZ8300, Kocom Wall Pad KHN-U881 and Iwatsu Visual IP Phone)
- Motorola selected Opera's Software Development Kit (SDK) for use in Consumer Electronics / Connected Home products
- ARCHOS signed agreement with Opera for its upcoming, next-generation line of portable media devices

## Consumer area

- Revenues from Desktop segment increased 142% in 1Q07 compared to 1Q06 as global usage continues to grow
- Growth in global usage of Opera Mini continues. As of April 30, 2007, 5.2 billion pages have been downloaded generating strong data traffic, and therefore revenue, to mobile phone operators worldwide. Opera Mini has been downloaded and used by more than 15 million people worldwide
- Opera selected Yahoo! to power the default search field on Opera Mini
- The number of registered My Opera users grew to 728,714 in 1Q07, up 146% compared to 1Q06

## Financials

### Revenues

Revenue in 1Q07 was MNOK 65.4, up 37% from 1Q06, when revenue was MNOK 47.8. Revenue growth in the quarter was primarily driven by attractive growth across all business segments.

### Operating costs

Total operating costs for 1Q07 were MNOK 74.4 compared to MNOK 55.0 in 1Q06, an increase of 35%.

### Payroll and related expenses, excluding stock option costs:

Total payroll and related expenses, excluding stock option costs, were MNOK 53.5 in 1Q07 compared to MNOK 33.1 in 1Q06, an increase of 62%. This increase was due primarily to higher headcount in engineering and sales and marketing globally.

Stock option costs: Total stock option costs for 1Q07 were MNOK 1.6 compared to MNOK 8.4 in 1Q06.

Other operating expenses: Other Operating Expenses in 1Q07 were MNOK 17.7 compared to MNOK 12.7 in 1Q06, an increase of 40%. Increased Other Operating Expenses are largely attributable to higher marketing, travel and other

indirect costs associated with both higher headcount and the Company's global expansion.

### EBIT

Excluding stock option costs, EBIT was MNOK -7.4 in 1Q07 versus MNOK 1.2 in 1Q06. EBIT was MNOK -9.0 in 1Q07 compared to MNOK -7.2 in 1Q06. EBITDA in 1Q07 was MNOK -7.4. EBITDA, excluding stock options costs, was MNOK -5.8.

### Interest income and FX gains/(losses)

Interest income was MNOK 3.6 in 1Q07 versus MNOK 1.4 in 1Q06. Interest income was significantly higher than in 1Q06 largely as a result of a much higher cash balance, after Opera's common share secondary offering in 1Q06. Opera had a foreign exchange loss of MNOK 1.5 in 1Q07 compared to MNOK 0.7 in 1Q06.

### Net income

Net Income was MNOK -8.0 in 1Q07 compared to MNOK -4.7 in 1Q06. EPS and fully diluted EPS were -0.07 and -0.07, respectively, in 1Q07, compared to -0.04 and -0.04 respectively, in 1Q06.

### Liquidity and capital resources

The Company's net cash flow from operating activities was MNOK 0.8 in 1Q07 compared to MNOK 22.7 in 1Q06. The positive cash flow in 1Q07 is largely attributable to an increase in deferred revenue. Deferred revenue is invoiced and pre-paid but unrecognized revenue.

Cash: Cash and cash equivalents at the end of 1Q07 were MNOK 423.9.

Organization: At the end of 1Q07, the Company had 387 full-time employees compared to 283 at the end of 1Q06.

## 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.

Beginning in 4Q06, Opera has divided its commercial efforts into two core areas: Business and Consumer. Opera's Business area focuses on OEMs and operators, while Opera's Consumer area markets directly to the consumer and content providers. For reporting purposes in FY2007, Internet Devices contains revenue from both the Business area and Opera Mini.

### Internet Devices

Internet Devices includes revenue from both mobile phones and other internet 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 Mini product.

# OPERA SOFTWARE ASA – FIRST QUARTER 2007

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Revenue from the Internet Devices rose to MNOK 50.6 in 1Q07 compared to MNOK 41.7 in 1Q06, an increase of 21%, powered by strong growth across both the mobile and internet device segments.

## 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 29 mobile phones from a variety of OEMs. This compares with the annual total of 37 handsets for FY2006. Recently announced phones include the MOTORIZR Z8 from Motorola and a new range of handsets from KDDI in Japan.

Opera announced an agreement with Palm, Inc. in 2Q.

## Opera Mini

### *Business*

Since launch through 1Q07, Opera has signed distribution deals for the Opera-branded Opera Mini browser with 9 mobile operators and has two major European operators, T-Mobile International and Telefónica Móviles de España, using a customer branded version of the Opera Mini browser as part of their Web-enabled handset portfolios.

In 1Q07, Opera Software announced that PTC/era, (Polska Telefonia Cyfrowa, Era and Heyah networks) the leading operator in Poland, is bringing mobile Web browsing to most of its users with the launch of the "blueconnect in your mobile" service. PTC/era will pre-install Opera Mini on 13 high volume mobile phones.

In 1Q07, 15 new phones were announced with Opera Mini pre-installed.

### *Consumer*

In 1Q07, Opera selected Yahoo! to power the default search field on Opera Mini. This new relationship showcases Yahoo!'s focus on building and monetizing innovative mobile services and working with key partners to distribute them broadly to consumers. Yahoo! and Opera have agreed to work together exclusively to explore bringing mobile advertising to Opera Mobile and Opera Mini.

By April 30, 2007, 15 million people had downloaded and used Opera Mini on their mobile phones and browsed 5.2 billion web pages.

## 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.

Opera expanded its relationship with Motorola beyond mobile phones, by signing a license agreement for Opera's SDK for use in devices in Motorola's Connected Home group

Opera was selected for Tranzas TRZ-8300 set-top box. Tranzas will use the Opera browser to deliver Web content and the user interface to the TRZ-8300, which is designed for deployment in the hospitality market, including hotels, hospitals, and spas.

ARCHOS selected Opera for its upcoming, next-generation line of portable media devices.

## 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 142% in 1Q07 to MNOK 14.8 compared to MNOK 6.1 in 1Q06.

The strong increase in Desktop revenue in 1Q07 compared to 1Q06 is largely attributable to an increase in users and higher average revenue per Opera desktop user.

## 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. From an operating cost perspective, Opera expects a net increase of employees of around 90 people in 2007, with a greater proportion of this net increase occurring now in the 2H versus the 1H.

Opera's key 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.

### **Announced handsets featuring Opera Mobile, 1Q07**

ASUS V1210  
Sharp W51SH  
Casio W51CA  
Hitatch W51H  
Kyocera W51K  
Sony Ericsson W51S  
Toshiba W52T  
Toshiba W51T  
au Design Project  
Sanyo W51SA  
Panasonic W51P  
R2881  
HTC Ameo  
HTC U1000  
HTC Advantage  
Longcheer Smartphone  
Motorola V1100  
A1200e  
MOTO Q9  
MOTORIZR Z8  
Sharp eMobile  
Simcom S995T  
Toshiba G500  
Toshiba G900  
Wistron – Dlink  
ZTE E700  
Accton VM 3288T  
Samsung SPH-8100  
Willcom WX320K

Oslo, May 29, 2007  
The Board of Directors  
Opera Software ASA

Nils A. Foldal  
Chairman  
(sign.)

Jon S. von Tetzchner  
CEO  
(sign.)



## CONSOLIDATED STATEMENTS OF INCOME

(In thousands of NOK, except per share amounts)

(Unaudited)

INCOME STATEMENT	Q1 2007	Q1 2006	% Increase	Q1-Q1 2007	Q1-Q1 2006	% Increase
Desktop	14 839	6 120	142 %	14 839	6 120	142 %
Internet Devices	50 557	41 717	21 %	50 557	41 717	21 %
<b>Total Revenue</b>	<b>65 397</b>	<b>47 837</b>	<b>37 %</b>	<b>65 397</b>	<b>47 837</b>	
Payroll and related expenses, excluding stock option costs	53 453	33 093	62 %	53 453	33 093	62 %
Stock option costs	1 594	8 430	-81 %	1 594	8 430	-81 %
Depreciation and amortization	1 581	806	96 %	1 581	806	96 %
Other operating expenses	17 749	12 717	40 %	17 749	12 717	40 %
<b>Total Expenses</b>	<b>74 378</b>	<b>55 046</b>	<b>35 %</b>	<b>74 378</b>	<b>55 046</b>	<b>35 %</b>
Earnings Before Interest and Taxes ("EBIT")	(8 981)	(7 209)		(8 981)	(7 209)	
Interest income	3 581	1 400		3 581	1 400	
FX gains/losses (negative amount = losses)	(1 529)	(695)		(1 529)	(695)	
Earnings Before Taxes ("EBT")	(6 929)	(6 504)		(6 929)	(6 504)	
Provision for Taxes	(1 071)	1 821		(1 071)	1 821	
<b>Net Income</b>	<b>(8 000)</b>	<b>(4 683)</b>		<b>(8 000)</b>	<b>(4 683)</b>	
Earnings Per Share	(0,068)	(0,041)		(0,068)	(0,041)	
Earnings Per Share, Fully Diluted	(0,068)	(0,041)		(0,068)	(0,041)	
Shares used in per share calculation (mm)	117 428 246	114 406 246		117 428 246	114 406 246	
Shares used in per share calculation, Fully Diluted (mm)	127 302 246	122 094 746		127 302 246	122 094 746	
Number of Employees	387	283	37 %	387	283	37 %

HISTORICAL SUMMARY: LAST 6 QUARTERS	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
<u>Revenue ('1000s of NOK)</u>						
Desktop	14 839	12 850	8 150	5 875	6 120	6 396
Internet Devices	50 557	47 704	45 030	46 338	41 717	41 669
Other	0	0	0	0	0	0
<b>Total Revenue</b>	<b>65 397</b>	<b>60 554</b>	<b>53 180</b>	<b>52 213</b>	<b>47 837</b>	<b>48 065</b>
<u>Revenue (% Growth)</u>						
Desktop	15 %	58 %	39 %	-4 %	-4 %	5 %
Internet Devices	6 %	6 %	-3 %	11 %	0 %	33 %
<b>Total Revenue</b>	<b>8 %</b>	<b>14 %</b>	<b>2 %</b>	<b>9 %</b>	<b>0 %</b>	<b>28 %</b>
<u>Revenue (% of Total Revenue)</u>						
Desktop	23 %	21 %	15 %	11 %	13 %	13 %
Internet Devices	77 %	79 %	85 %	89 %	87 %	87 %
EBIT	(8 981)	(15 690)	(6 754)	2 183	(7 210)	3 839
EBIT, excluding stock option costs	(7 387)	(13 616)	(6 554)	1 448	1 220	4 637
EBITDA	(7 400)	(14 295)	(5 609)	3 328	(6 404)	4 433
EBITDA, excluding stock option costs	(5 806)	(12 220)	(5 409)	2 593	2 026	5 231
EPS	(0,068)	(0,109)	(0,018)	0,010	(0,041)	0,040
EPS, Fully Diluted	(0,068)	(0,109)	(0,018)	0,010	(0,041)	0,030



## CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

BALANCE SHEET	Q1 2007	Q4 2006	Q1 2006	FY 2006	FY 2005
Deferred Taxes	11 684	9 730	3 203	9 651	1 237
Goodwill	3 143	3 143	3 143	3 142	3 142
Fixed Assets, Net	24 023	20 754	13 181	20 753	9 251
Accounts Receivable	69 327	55 172	27 667	55 172	24 822
Accrued, but Unbilled Revenue	32 145	43 636	46 987	43 636	57 142
Other Current Assets	3 951	5 424	10 992	5 426	11 385
Cash and cash equivalents	423 869	424 498	442 531	424 498	218 526
<b>Total Assets</b>	<b>568 141</b>	<b>562 358</b>	<b>547 704</b>	<b>562 278</b>	<b>325 505</b>
Accounts Payable	2 210	6 748	10 473	6 748	5 493
Social security, VAT	9 476	11 314	16 877	11 314	16 001
Deferred revenue	33 762	22 495	4 415	22 495	1 975
Other short-term liabilities	28 783	22 018	23 449	22 250	12 086
<b>Total Liabilities</b>	<b>74 231</b>	<b>62 575</b>	<b>55 214</b>	<b>62 808</b>	<b>35 555</b>
Common stock	2 349	2 339	2 288	2 339	2 056
Additional paid-in-Capital	444 679	444 116	423 542	441 190	229 990
Retained earnings	46 883	53 328	66 660	55 941	57 904
<b>Total Equity</b>	<b>493 911</b>	<b>499 783</b>	<b>492 490</b>	<b>499 470</b>	<b>289 950</b>
<b>Total Liabilities and Equity</b>	<b>568 141</b>	<b>562 358</b>	<b>547 704</b>	<b>562 278</b>	<b>325 505</b>

EQUITY STATEMENT	Q1 2007	Q4 2006	Q1-Q1 2007	Q1-Q1 2006	FY 2006	FY 2005
Opening balance	499 470	507 988	499 470	289 950	289 950	262 420
Net profit/(loss)	(8 000)	(12 842)	(8 000)	(4 683)	(18 191)	2 799
Equity share issue	2 542	4 197	2 542	207 246	227 593	24 823
Other ***)	(100)	439	(100)	(23)	118	(92)
Closing Balance	493 911	499 782	493 911	492 490	499 470	289 950



## CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

CASH FLOW STATEMENT	Q1 2007	Q4 2006	Q1-Q1 2007	Q1-Q1 2006	FY 2006	FY 2005
<b>Cash flow from operating activities</b>						
Profit/loss before taxes	(6 929)	(12 626)	(6 929)	(6 504)	(18 596)	4 618
Taxes paid	(3 050)	(3 353)	(3 050)	0	(5 655)	(878)
Depreciation expense	1 581	1 395	1 581	806	4 364	2 055
Changes in accounts receivable *)	(2 664)	(6 263)	(2 664)	7 310	(16 844)	(6 174)
Changes in accounts payable	(4 276)	3 222	(4 276)	5 272	1 490	2 264
Changes in other liabilities, net	14 652	26 704	14 652	14 684	29 688	(40 362)
Share-based remuneration	1 969	1 103	1 969	1 194	5 453	2 995
Conversion discrepancy	(459)	(179)	(459)	(17)	(9)	(45)
<b>Net cash flow from operating activities</b>	<b>823</b>	<b>10 003</b>	<b>823</b>	<b>22 745</b>	<b>(109)</b>	<b>(35 527)</b>
<b>Cash flow from investment activities</b>						
Acquisition of tangible fixed assets	(1 525)	(4 583)	(1 525)	(4 793)	(13 644)	(9 034)
Other investments	(500)		(500)		(50)	
<b>Net cash flow from investment activities</b>	<b>(2 025)</b>	<b>(4 583)</b>	<b>(2 025)</b>	<b>(4 793)</b>	<b>(13 694)</b>	<b>(9 034)</b>
<b>Cash flow from financing activities</b>						
Proceeds from exercise of stock options, warrants	573	3 095	573		18 124	21 812
Proceeds of Share Issues, net				206 053	201 650	
<b>Net cash flow from financing activities</b>	<b>573</b>	<b>3 095</b>	<b>573</b>	<b>206 053</b>	<b>219 774</b>	<b>21 812</b>
<b>Net change in cash and cash equivalents</b>	<b>(628)</b>	<b>8 515</b>	<b>(628)</b>	<b>224 005</b>	<b>205 971</b>	<b>(22 749)</b>
Cash and cash equivalents **)	424 497	415 982	424 497	218 526	218 526	241 275
<b>Cash and cash equivalents</b>	<b>423 869</b>	<b>424 497</b>	<b>423 869</b>	<b>442 531</b>	<b>424 497</b>	<b>218 526</b>

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

\*\*)Cash and cash equivalents of NOK 2 786K are restricted assets as of March 31st, 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 3 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.