

Opera Software

Second quarter 2006



The best Internet experience on any device

Opera Software ASA
Waldemar Thranesgate 98
P.O. Box 2648, St. Hanshaugen
NO-0131 Oslo, Norway
Telephone: (+47) 24 16 40 00
Telefax: (+47) 24 16 40 01
www.opera.com



OPERA SOFTWARE ASA – SECOND QUARTER 2006

Highlights

- Revenues of MNOK 52.2 in 2Q06, up from MNOK 40.4 in 2Q05, an increase of 29%.¹
- Excluding stock option costs of MNOK -0.7, non-IFRS Earnings Before Interest and Taxes ("EBIT") was MNOK 1.5 in 2Q06 compared to MNOK 9.1 in 2Q05
- IFRS EBIT was MNOK 2.2 in 2Q06 compared to MNOK 7.8 in 2Q05
- The number of mobile phones sold with the Opera browser was 7.2 million in 2Q06, compared to 3.3 million units in 2Q05. This represents an increase of 118% in 2Q06 compared to 2Q05
- 6 new mobile phones that include the Opera browser were announced since the last quarterly report. Opera has announced 20 new models so far in 2006
- So far in 2006, 10 phones have been announced featuring a pre-installed Opera Mini browser
- Motorola announced 5 new devices in 2Q06 featuring the Opera browser. The total number of Motorola phone models that have shipped with Opera is 10
- Opera Mini reached a new milestone in terms of users and generated traffic. Five million users have accessed more than one billion web pages since the launch of Opera Mini
- Six operators worldwide have so far selected to distribute Opera Mini to their users. Opera has also signed deals with 25 content vendors such as eBay Germany (trial) and MobilePlay (US)
- Sony announced its new personal communicator – the 'mylo' – which is scheduled to ship in September with Opera pre-installed
- Nintendo started selling in Japan the Nintendo DS Browser from Opera on July 24. The European launch date has been set to October 6
- On June 20, the company announced Opera 9 for the PC and Mac, with great reviews.
- Board changes: Nils A. Foldal of A. Wilhelmsen Capital AS became Chairman of Opera Software's Board of Directors. William H. Raduchel, previously with AOL TimeWarner, and Ole Peter Lorentzen, a private investor, were also voted in as new members of the Board

Financials

Revenues: Revenue in 2Q06 was MNOK 52.2, up 29 % from 2Q05, where revenue was MNOK 40.4.¹

Payroll and related expenses, excluding stock option costs: Total payroll and related expenses, excluding stock option costs, were MNOK 31.7 in 2Q06 compared to MNOK 21.6 in 2Q05, an increase of 46%. This increase was due primarily to higher headcount in engineering and sales and marketing.

Stock option costs: Total stock option costs for 2Q06 were MNOK -0.7. This decrease in costs was driven largely by the decrease in Opera's stock price from NOK 32.30 at the end of 1Q06 to NOK 23.40 at the end of 2Q 06. Changes in Opera's stock price affect the estimated provisions Opera makes at the end of every quarter for the payroll taxes the Company must pay upon the exercise of employee options.

Other Operating Expenses: Other Operating Expenses in 2Q06 were MNOK 18.1, up 95% from 2Q05. Increased Other Operating Expenses are largely attributable to indirect costs associated with higher headcount, the extraordinary cost of the

sale of complementary third-party software and the Company's global expansion, such as office rent and travel. Excluding the extraordinary cost of the sale of complementary third-party software, other operating expenses were MNOK 14.3 in 2Q06, up 55% from 2Q05.

EBIT: Excluding stock option costs, non-IFRS EBIT was MNOK 1.5 in 2Q06 versus MNOK 9.1 in 2Q05. EBIT was MNOK 2.2 in 2Q06 compared to MNOK 7.8 in 2Q05.

Net Income: Net Income was MNOK 1.4 in 2Q06 compared to MNOK 6 in 2Q05. EPS and fully diluted EPS were 0.01 and -0.01, respectively, in 2Q06, compared to 0.06 and 0.05 respectively, in 2Q05.

Cash Flow: Cash flow was MNOK 14.2 in 2Q06.

Cash: Cash and cash equivalents at the end of 2Q06 were MNOK 456.7.

Organization: At the end of 2Q06, the Company had 319 full-time employees compared to 233 at the end of 2Q 05.

Business Segments

Internet Devices

Internet Devices includes revenue from both mobile phones and other internet connected devices, such as game consoles, Internet TV set-top boxes and portable media players.

Revenue from Internet Devices rose to MNOK 46.3 in 2Q06 compared to MNOK 33.4 in 2Q05, an increase of 39%, powered by strong growth across both the mobile phone and other internet device segments.

Mobile phone revenue continued to grow, primarily because Opera's OEM and operator customers continue to sell a growing number of smartphones and high-end feature phones with Opera's browser pre-installed, to meet rising demand for 3G-enabled handsets. In 2Q06, Opera was pre-installed on 7.2 million mobile phones compared to 3.3 million phones in 2Q05, an increase of 118%.

Revenue from other Internet Devices was also up in 2Q06 compared to 2Q05, as Opera's browsers get installed on more and more non-mobile phone internet connected devices, such as game consoles, portable media players and net-TVs. Other Internet Devices is Opera's fastest growing business segment from a revenue growth standpoint.

Desktop

Revenue from Desktop fell -16% in 2Q06 to MNOK 5.9 compared to MNOK 7 in 2Q05. Opera eliminated its user license based revenue model in 3Q05 and has transitioned its Desktop revenue model to one predicated largely on search.

Outlook

Opera's revenue in 2Q06 was lower than expected due to lower mobile royalty income than expected. The Company is uncertain how mobile royalty income will develop over the remainder of 2006. Opera is well-positioned for long-term growth, as demand for internet connected mobile phone and other devices continues to rise, for both the industry as a whole and for Opera's existing customers and prospects specifically.

Oslo, August 21, 2006
The Board of Directors
Opera Software ASA

Nils A. Foldal
Chairman
(sign.)

Jon S. von Tetzchner
CEO
(sign.)

¹ 2Q05 includes royalty income for both 1Q and 2Q 2005. In 2Q05, Opera started to recognize royalty income in the quarter it incurs. The change was made possible by the company's customers who were able to report unit sales earlier than previously practiced.

Opera Software ASA

CONSOLIDATED STATEMENTS OF INCOME

(In thousands of NOK, except per share amounts)

(Unaudited)

INCOME STATEMENT	Q2 2006	Q2 2005	% Increase	1H 2006	1H 2005	% Increase
Desktop	5 875	6 970	-16 %	11 995	13 361	-10 %
Internet Devices	46 338	33 447	39 %	88 055	55 022	60 %
Total Revenue	52 213	40 417	29 %	100 050	68 383	
Payroll and related expenses, excluding stock option costs	31 693	21 635	46 %	64 785	44 555	45 %
Stock option costs	(735)	1 304	-156 %	7 695	2 537	203 %
Depreciation and amortization	1 018	420	142 %	1 824	786	132 %
Other operating expenses****)	18 054	9 250	95 %	30 773	18 280	68 %
Total Expenses	50 030	32 609	53 %	105 077	66 158	59 %
Earnings Before Interest and Taxes ("EBIT")	2 183	7 808		(5 027)	2 225	
Financial Income	1 881	1 758		3 282	3 063	
Financial Expenses	(2 145)	(1 266)		(2 840)	(1 687)	
Earnings Before Taxes ("EBT")	1 919	8 300		(4 585)	3 601	
Provision for Taxes	(535)	(2 323)		1 286	(1 008)	
Net Income	1 384	5 977		(3 299)	2 593	
Earnings Per Share	0,01	0,06		(0,03)	0,03	
Earnings Per Share, Fully Diluted	0,01	0,05		(0,03)	0,02	
Shares used in per share calculation (mm)	116 578 246	100 773 747		116 578 246	100 773 747	
Shares used in per share calculation, Fully Diluted (mm)	121 784 746	108 722 247		121 784 746	108 722 247	
Number of Employees	319	233	37 %	319	233	37 %

HISTORICAL SUMMARY: LAST 6 QUARTERS	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
<u>Revenue ('1000s of NOK)</u>						
Desktop	5 875	6 120	6 396	6 069	6 970	6 391
Internet Devices	46 338	41 717	41 669	31 437	33 447	21 574
Other	0					
Total Revenue	52 213	47 837	48 065	37 506	40 417	27 965
<u>Revenue (% Growth)</u>						
Desktop	-4 %	-4 %	5 %	-13 %	9 %	-34 %
Internet Devices	11 %	0 %	33 %	-6 %	55 %	7 %
Total Revenue	9 %	0 %	28 %	-7 %	45 %	-7 %
<u>Revenue (% of Total Revenue)</u>						
Desktop	11 %	13 %	13 %	16 %	17 %	23 %
Internet Devices	89 %	87 %	87 %	84 %	83 %	77 %
EBIT	2 183	(7 210)	3 839	(5 137)	7 808	(5 584)
EBIT, excluding stock option costs	1 448	1 220	4 637	(1 576)	9 112	(4 351)
EBITDA	3 201	(6 404)	4 433	(4 462)	8 228	(3 985)
EBITDA, excluding stock option costs	2 466	2 026	5 231	(901)	9 532	(2 752)
EPS	0,01	(0,04)	0,04	(0,03)	0,06	(0,03)
EPS, Fully Diluted	0,01	(0,04)	0,03	(0,03)	0,06	(0,03)

Opera Software ASA

CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

BALANCE SHEET	Q2 2006	Q1 2006	Q2 2005	FY 2005	FY 2004	
Deferred Taxes	5 210	3 203	319	1 237	1 631	
Goodwill	3 143	3 143	3 143	3 143	3 143	
Fixed Assets, Net	14 553	13 181	3 240	9 251	2 338	
Accounts Receivable	23 323	27 667	34 042	24 822	18 648	
Accrued, but Unbilled Revenue	55 310	46 987	17 758	57 142	10 978	
Other Current Assets	5 139	10 992	4 237	11 385	3 777	
Cash and cash equivalents	456 727	442 531	225 783	218 526	241 275	
Total Assets	563 405	547 704	288 522	325 506	281 790	
Accounts Payable	3 084	10 330	2 403	4 945	2 794	
Other Liabilities	52 664	44 884	14 122	30 610	16 576	
Total Liabilities	55 748	55 214	16 525	35 555	19 370	
Common stock	2 332	2 288	2 015	2 056	1 985	
Additional paid-in-Capital	435 607	423 542	199 698	229 990	205 238	
Retained earnings	69 718	66 660	70 284	57 904	55 197	
Total Equity	507 657	492 490	271 997	289 950	262 420	
Total Liabilities and Equity	563 405	547 704	288 522	325 505	281 790	
EQUITY STATEMENT	Q2 2006	Q1 2006	1H 2006	1H 2005	FY 2005	FY 2004
Opening balance	492 490	289 950	289 950	263 904	262 420	79 977
Net profit/(loss)	1 384	(4 683)	(3 299)	5 977	2 799	57 531
Equity share issue	13 799	207 246	221 046	5 646	24 823	124 918
Other ***)	(16)	(23)	(40)	(145)	(92)	(6)
Closing Balance	507 657	492 490	507 657	275 382	289 950	262 420
CASH FLOW STATEMENT	Q2 2006	Q1 2006	1H 2006	1H 2005	FY 2005	FY 2004
Cash flow from operating activities						
Profit/loss before taxes	1 919	(6 504)	(4 585)	3 601	4 618	81 885
Taxes paid	(20)		(20)	(57)	(878)	(678)
Depreciation expense	1 018	806	1823	785	2 055	1 184
Changes in accounts receivable *)	-3 980	7 310	3 330	(15 395)	(6 174)	4 540
Changes in accounts payable	(7 246)	5 272	(1 974)	(390)	2 264	823
Changes in other liabilities, net	13 515	14 684	28 200	(7 836)	(40 362)	6 215
Share-based remuneration	1 692	1 194	2 885	1 876	2 995	3 583
Conversion discrepancy	(33)	(17)	35	(90)	(45)	0
Net cash flow from operating activities	6 865	22 745	29 694	(17 506)	(35 527)	97 552
Cash flow from investment activities						
Acquisition of tangible fixed assets	(2 376)	(4 793)	(7 204)	(1 755)	(9 034)	(2 041)
Net cash flow from investment activities	(2 376)	(4 793)	(7 204)	(1 755)	(9 034)	(2 041)
Cash flow from financing activities						
Proceeds from exercise of stock options, warrants	9 707		215 711	3 770	21 812	5 574
Proceeds of Share Issues, net		206 053				111 802
Net cash flow from financing activities	9 707	206 053	215 711	3 770	21 812	117 376
Net change in cash and cash equivalents	14 196	224 005	238 201	(15 491)	(22 749)	212 887
Cash and cash equivalents **)	442 531	218 526	218 526	241 275	241 275	28 388
Cash and cash equivalents	456 727	442 531	456 727	225 783	218 526	241 275

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

**) Cash and cash equivalents of NOK 15,807K are restricted assets as of June 30th, 2006. Cash and cash equivalents of NOK 19,604K are restricted assets as of 31 December 2005, and NOK 2,523K are restricted assets as per 31 December 2004.

***) Q2 2005 adjusted for IFRS 2

****) Operating expenses include an extraordinary cost of the sale of complementary third party software, which was MNOK 3.7 in 2Q06

Note: The first half 2006 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 2006.