

# Opera Software

Third quarter 2007



The best Internet experience on any device



# OPERA SOFTWARE ASA – THIRD QUARTER 2007

Opera delivered revenues of MNOK 81.8 in 3Q07, up 54% versus 3Q06, and a positive EBIT of 8.0 MNOK, driven by strong growth in both the Internet Devices and Desktop segments.

## Highlights

- Revenues of MNOK 81.8 in 3Q07, up from MNOK 53.2 in 3Q06, an increase of 54%. EBIT was MNOK 8.0 in 3Q07 compared to MNOK -6.8 in 3Q06. EBITDA in 3Q07 was MNOK 9.7. EBITDA, excluding stock options costs, was MNOK 12.0

## Business area

- Revenue from Internet Devices rose to MNOK 64.4 in 3Q07 compared to MNOK 45.0 in 3Q06, an increase of 43%, powered by strong growth in the mobile area in particular
- The number of mobile phones shipped with the Opera browser was 11.1 million in 3Q07, compared to 8.6 million units in 3Q06. This represents an increase of 26% in 3Q07 compared to 3Q06
- 3 new mobile phones that include the Opera Mobile browser pre-installed and 32 new mobile phones that include Opera Mini pre-installed were announced in 3Q07
- Opera signed a contract with Tata Teleservices, a leading operator in India. For the first time, Opera Mini is available on the BREW platform
- The company announced that Sony selected Opera's browser technology for the Sony BRAVIA Internet Video Link for its BRAVIA television product line

## Consumer area

- Revenues from the Desktop segment increased 113% in 3Q07 compared to 3Q06 as global usage continues to grow
- Growth in global usage of Opera Mini continues. As of September 30, 2007, since launch, more than 24 million people have downloaded and used Opera Mini to surf 9.8 billion Web pages, generating strong data traffic, and therefore revenues, for mobile operators worldwide
- The number of registered My Opera users grew to over 1 million by the end of September, up 72% from end of 2006 and up 107% from 3Q 2006
- KongZhong, the leading mobile content vendor in China, introduced the "KongZhong Opera" browser

## Financials

### Revenues

Revenue in 3Q07 was MNOK 81.8, up 54% from 3Q06, when revenue was MNOK 53.2. Revenue growth in the quarter was driven by attractive growth across all business segments.

In the Desktop area, strong user growth combined with higher ARPU (Average Revenue Per User) drove revenue in the quarter. Internet Devices revenue was driven by record shipments of Opera Mobile and higher delivery services revenue to certain key OEM and operator customers.

### Operating costs

Total operating costs for 3Q07 were MNOK 73.8 compared to MNOK 59.9 in 3Q06, an increase of 23%.

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

Total payroll and related expenses, excluding stock option costs, were MNOK 53.9 in 3Q07 compared to MNOK 42.0 in 3Q06, an increase of 28%. This increase was due primarily to higher headcount in engineering and sales and marketing globally.

Stock option costs: Total stock option costs for 3Q07 were MNOK 2.3 compared to MNOK 0.2 in 3Q06.

Other operating expenses: Other operating expenses in 3Q07 were MNOK 16.0 compared to MNOK 16.6 in 3Q06, a decrease of 4%.

### EBIT

EBIT was MNOK 8.0 in 3Q07 compared to MNOK -6.8 in 3Q06. EBIT, excluding stock option costs, was MNOK 10.3 in 3Q07 versus MNOK -6.6 in 3Q06. EBITDA in 3Q07 was MNOK 9.7. EBITDA, excluding stock options costs, was MNOK 12.0.

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

Interest income was MNOK 4.7 in 3Q07 versus MNOK 5.6 in 3Q06. Opera had a foreign exchange loss of MNOK -4.6 in 3Q07 compared to MNOK -.2 in 3Q06.

### Net income

Net income was MNOK 4.7 in 3Q07 compared to MNOK -2.2 in 3Q06. EPS and fully diluted EPS were 0.04 and 0.04, respectively, in 3Q07, compared to -0.02 and -0.02 respectively, in 3Q06.

### Liquidity and capital resources

The Company's net cash flow from operating activities was MNOK - 2.0 in 3Q07 compared to MNOK -40.0 in 3Q06. The positive earnings result and strong accounts receivables collections were offset by a decline in other liabilities.

Cash: Cash and cash equivalents at the end of 3Q07 were MNOK 460.6, compared to MNOK 416.0 in 3Q06.

Organization: At the end of 3Q07, the Company had 424 full-time employees and equivalents compared to 335 at the end of 3Q06.

## 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 and expansion in key markets around the world.

### Internet Devices

Internet Devices includes revenue from both mobile phones and other connected devices, such as game consoles, IPTV 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 64.4 in 3Q07 compared to MNOK 45.0 in 3Q06, an increase of 43%, powered by strong growth across both the mobile and device segments.

Underscoring the strong demand for the company's embedded browser solution, through September 30<sup>th</sup>, 2007, an Opera-record 114 handsets have been announced with either Opera Mobile (55) or Opera Mini (59) pre-installed.

### Opera Mobile

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

Revenues from Opera Mobile expanded in the third quarter as Opera gets shipped on an increasing number of handsets among its OEM and operator customers.

In the quarter, Opera was included on 3 mobile phones. So far this year, 55 mobile phones featuring Opera Mobile have been announced. This compares with the annual total of 37 handsets for FY2006.

# OPERA SOFTWARE ASA – THIRD QUARTER 2007

Opera delivered revenues of MNOK 81.8 in 3Q07, up 54% versus 3Q06, and a positive EBIT of 8.0 MNOK, driven by strong growth in both the Internet Devices and Desktop segments.

## 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 Tata Teleservices (India) - 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 3Q07, Opera has signed distribution deals for the Opera Mini browser with 12 mobile operators.

In 3Q07, 32 new phones were announced with Opera Mini pre-installed. So far this year, 59 mobile phones featuring Opera Mini have been announced.

In the quarter, Tata Teleservice, a leading operator in India, selected Opera Mini as the cornerstone of its mobile Web strategy. Tata is the first operator to deploy Opera Mini on BREW. The deal also gives Opera a key partner and strong foothold in the rapidly growing Indian mobile market. According to a report by the Telecom Regulatory Authority of India (TRAI), Indian mobile data revenue is expected to outpace that of voice services and contribute to about a fifth of total revenue by 2011, doubling year over year.

### *Consumer*

As of September 30, 2007, since launch, more than 24 million people have downloaded and used Opera Mini on their mobile phones and browsed 9.8 billion Web pages.

Opera's primary revenue generator for the Opera-branded version of Opera Mini is search, although Opera is actively developing ways of increasing ARPU for its growing user base. Opera is also focused on increasing general usage and attract more users worldwide.

## Opera Devices

Opera has broken new ground within 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 is the leader 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.

### ***New handsets featuring Opera Mobile, 3Q07***

Samsung Blackjack  
MOTOKRZR K3  
Kyocera WX320KR

### ***New handsets featuring Opera Mini, 3Q07***

Nokia 5310  
Nokia 5610  
Nokia 6555  
Nokia 6500  
Nokia 7900  
Nokia 3109c  
Nokia 7500  
Nokia 6267  
Nokia 7390  
Nokia 6151  
Nokia 8800  
Samsung F330  
Samsung Z170  
Samsung F700V  
Samsung Z240  
Samsung J210  
Samsung Z720  
Samsung U600  
Samsung E740  
Samsung G600  
Samsung G800  
Samsung U900  
Samsung L760  
SE K810i  
SE K530  
SE K800i  
SE W580i  
SE Z310  
SE K220  
SE W200  
SE W889  
LG KU385  
LG KG280

In the third quarter, Opera announced that it will be used as the browser technology for the Sony's new BRAVIA Internet Video Link. Opera will enable browsing of available Internet video content that can be streamed directly to the television. The BRAVIA Internet Video Link is available for a majority of Sony's 2007 BRAVIA televisions including flat-panel LCD and SXRD and 3LCD micro-displays HDTVs.

## **Desktop**

Since the first public release in 1996, Opera has continuously delivered browser innovations for desktop PCs. Opera's desktop browser provides its users with a safe, efficient and enjoyable browsing experience.

Revenue from Desktop rose 113% in 3Q07 to MNOK 17.3, compared to MNOK 8.2 in 3Q06.

The marked increase in Desktop revenue in 3Q07 compared to 3Q06 is largely attributable to an increase in users and stronger revenue streams leading to higher average revenue per user.

## **Outlook**

Opera remains positive about the Company's long-term growth prospects. Within Internet Devices, the success that key Opera customers, including T-Mobile and KDDI, have experienced with their mobile Web initiatives powered by Opera, combined with recent events in the industry, have heightened interest among operators and OEMs for Opera's solutions. Opera also sees accelerating interest among device manufacturers for Opera's solutions, as Web browsers become a more common component of a broad array of device types. Opera believes it is well-positioned to take advantage of these "mega-trends" within both the mobile phone and consumer electronics industries.

The Company also sees positive growth prospects in the Desktop segment, through increased users and higher ARPU.

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, (iv) building on the momentum Opera has going into FY2007 among major consumer electronic OEMs, and (v) 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. Opera intends to continue focusing on these priorities going into FY2008.

Oslo, November 30, 2007  
The Board of Directors  
Opera Software ASA

William J. Raduchel  
Chairman  
(sign.)

Jon S. von Tetzchner  
CEO  
(sign.)



**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands of NOK, except per share amounts)

(Unaudited)

INCOME STATEMENT	Q3 2007	Q3 2006	% Increase	YTD 2007	YTD 2006	% Increase
Desktop	17 343	8 150	113 %	47 764	18 334	161 %
Internet Devices	64 442	45 030	43 %	174 716	134 896	30 %
<b>Total Revenue</b>	<b>81 786</b>	<b>53 180</b>	<b>54 %</b>	<b>222 481</b>	<b>153 230</b>	<b>45 %</b>
Payroll and related expenses, excluding stock option cost	53 875	42 009	28 %	156 588	108 891	44 %
Stock option costs	2 276	200	1038 %	7 304	7 895	-7 %
Depreciation and amortization	1 660	1 145	45 %	4 761	2 969	60 %
Other operating expenses	15 961	16 580	-4 %	52 301	45 257	16 %
<b>Total Expenses</b>	<b>73 771</b>	<b>59 934</b>	<b>23 %</b>	<b>220 954</b>	<b>165 011</b>	<b>34 %</b>
<b>Earnings Before Interest and Taxes ("EBIT")</b>	<b>8 015</b>	<b>(6 754)</b>		<b>1 527</b>	<b>(11 781)</b>	
Interest income	4 687	5 558		12 183	8 840	
FX gains/losses (negative amount = losses)	(4 630)	(189)		(8 854)	(3 029)	
<b>Earnings Before Taxes ("EBT")</b>	<b>8 072</b>	<b>(1 384)</b>		<b>4 855</b>	<b>(5 970)</b>	
Provision for Taxes	(3 417)	(762)		(6 010)	524	
<b>Net Income</b>	<b>4 655</b>	<b>(2 147)</b>		<b>(1 155)</b>	<b>(5 446)</b>	
Earnings Per Share	0,039	(0,018)		(0,010)	(0,047)	
Earnings Per Share, Fully Diluted	0,037	(0,018)		(0,010)	(0,047)	
Shares used in per share calculation (mm)	119 154 746	116 928 246		119 154 746	116 928 246	
Shares used in per share calculation, Fully Diluted (mm)	126 557 991	122 134 746		126 557 991	122 134 746	
Number of Employees	424	335		424	335	

The accompanying notes are an integral part of the consolidated financial statements (unaudited).



**CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT**

(In thousands of NOK, except per share amounts)

(Unaudited)

<b>BALANCE SHEET</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q3 2006</b>	<b>FY 2006</b>	<b>FY 2005</b>
Deferred Taxes	11 200	12 321	5 954	9 651	1 237
Goodwill	3 143	3 143	3 143	3 142	3 142
Fixed Assets, Net	22 791	23 709	16 259	20 753	9 251
Accounts Receivable	29 267	50 685	35 963	55 172	24 822
Accrued, but Unbilled Revenue	40 049	28 221	56 583	43 636	57 142
Other Current Assets	6 158	3 552	5 546	5 426	11 385
Cash and cash equivalents	460 609	463 117	415 982	424 498	218 526
<b>Total Assets</b>	<b>573 216</b>	<b>584 748</b>	<b>539 430</b>	<b>562 278</b>	<b>325 505</b>
Accounts Payable	5 385	5 307	3 326	6 548	4 945
Taxes payable	141	-241	653	201	548
Social security, PIT and VAT	9 739	15 002	5 791	11 314	16 001
Deferred revenue	15 973	31 823	4 906	22 495	1 975
Other short-term liabilities	27 385	25 123	16 765	22 250	12 086
<b>Total Liabilities</b>	<b>58 623</b>	<b>77 014</b>	<b>31 441</b>	<b>62 808</b>	<b>35 555</b>
Common stock	2 381	2 382	2 339	2 339	2 056
Additional paid-in-Capital	453 822	453 854	441 022	441 190	229 990
Retained earnings	58 391	51 498	64 629	55 941	57 904
<b>Total Equity</b>	<b>514 593</b>	<b>507 734</b>	<b>507 989</b>	<b>499 470</b>	<b>289 950</b>
<b>Total Liabilities and Equity</b>	<b>573 216</b>	<b>584 748</b>	<b>539 430</b>	<b>562 278</b>	<b>325 505</b>

<b>EQUITY STATEMENT</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1-Q3 2007</b>	<b>Q1-Q3 2006</b>	<b>FY 2006</b>	<b>FY 2005</b>
Opening balance	507 734	493 911	499 470	289 950	289 950	262 420
Net profit/(loss)	4 656	2 189	-1 155	-17 525	-18 191	2 799
Equity share issue	2 654	11 732	16 928	223 396	227 593	24 823
Other	-451	-98	-650	89	118	-92
<b>Closing Balance</b>	<b>514 593</b>	<b>507 734</b>	<b>514 593</b>	<b>495 910</b>	<b>499 470</b>	<b>289 950</b>

**CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT**

(In thousands of NOK, except per share amounts)

(Unaudited)

<b>CASH FLOW STATEMENT</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1-Q3 2007</b>	<b>Q1-Q3 2006</b>	<b>FY 2006</b>	<b>FY 2005</b>
<b>Cash flow from operating activities</b>						
Profit/loss before taxes	8 073	3 711	4 855	-22 746	-18 596	4 618
Taxes paid	-1 776	-1 776	-6 602	-1 179	-5 655	-878
Depreciation expense	1 660	1 521	4 763	2 968	4 364	2 055
Changes in accounts receivable *)	9 590	22 566	29 492	6 713	-16 844	-6 174
Changes in accounts payable	77	3 035	-1 164	-1 829	1 490	2 264
Changes in other liabilities, net	-21 810	682	-6 476	1 322	29 688	-40 362
Share-based remuneration	2 688	2 523	7 181	4 350	5 453	2 995
Conversion discrepancy	-453	-381	-1 294	120	-9	-45
<b>Net cash flow from operating activities</b>	<b>-1 951</b>	<b>31 882</b>	<b>30 755</b>	<b>-10 279</b>	<b>-109</b>	<b>-35 527</b>
<b>Cash flow from investment activities</b>						
Acquisition of tangible fixed assets	-523	-1 843	-3 891	-8 989	-13 644	-9 034
Acquisition of shares	0	0	-500		-50	
<b>Net cash flow from investment activities</b>	<b>-523</b>	<b>-1 843</b>	<b>-4 391</b>	<b>-8 989</b>	<b>-13 694</b>	<b>-9 034</b>
<b>Cash flow from financing activities</b>						
Proceeds from exercise of stock options, warrants	-34	9 209	9 748	216 724	18 124	21 812
Proceeds of Share Issues, net					201 650	
<b>Net cash flow from financing activities</b>	<b>-34</b>	<b>9 209</b>	<b>9 748</b>	<b>216 724</b>	<b>219 774</b>	<b>21 812</b>
<b>Net change in cash and cash equivalents</b>	<b>-2 508</b>	<b>39 248</b>	<b>36 112</b>	<b>197 456</b>	<b>205 971</b>	<b>-22 749</b>
Cash and cash equivalents **)	463 117	423 869	424 497	218 526	218 526	241 275
<b>Cash and cash equivalents</b>	<b>460 609</b>	<b>463 117</b>	<b>460 609</b>	<b>415 982</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 6 979K are restricted assets as of September 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.

\*\*\*) 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 4.5 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 3Q07 impact was MNOK 3.2

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

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

Note: The 9 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.

Disclosure:

#### NOTE 1: CORPORATE INFORMATION

Opera Software ASA is a company domiciled in Norway. The consolidated financial statements of the Company for the third quarter of 2007 include the Company subsidiaries Hern Labs AB and Opera Software International AS (which, in turn, includes Opera Software Korea Ltd and Opera Web Technologies Private Ltd (India), together referred to as the "Group".) In Q3 2007, Opera Software International AS had branch offices in Japan, the USA, Poland and China.

#### NOTE 2: ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and applicable regulations in the Norwegian Accounting Act. The report does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2006. The same accounting principles as in the annual report for 2006 are used in the quarterly report.

#### NOTE 3: EARNINGS PER SHARE

Earnings per share share are calculated by dividing the profit attributable to equity holders of the Company by the weighted ordinary shares in issue during the period.

INCOME STATEMENT	Q3 2007	Q3 2006	YTD 2007	YTD 2006
Net Income	4 655	(2 147)	(1 155)	(5 446)
Earnings Per Share	0,039	(0,018)	(0,010)	(0,047)
Earnings Per Share, Fully Diluted	0,037	(0,018)	(0,010)	(0,047)
Shares used in per share calculation (mm)	119 154 746	116 928 246	119 154 746	116 928 246
Shares used in per share calculation, Fully Diluted (mm)	126 557 991	122 134 746	126 557 991	122 134 746

In periods with negative Net Income, the dilutive instruments will have an anti dilutive effect when calculating dilutive earnings per share. For this reason, there is no difference between earnings per share and dilutive earnings per share for these periods.

NOTE 4: HISTORICAL FINANCIAL INFORMATION – LAST 6 QUARTERS

HISTORICAL SUMMARY: LAST 6 QUARTERS	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
<b>Revenue ('1000s of NOK)</b>						
Desktop	17 343	15 582	14 839	12 850	8 150	5 875
Internet Devices	64 442	59 716	50 558	47 704	45 030	46 338
<b>Total Revenue</b>	<b>81 786</b>	<b>75 298</b>	<b>65 397</b>	<b>60 554</b>	<b>53 180</b>	<b>52 213</b>
<b>Revenue (% Growth)</b>						
Desktop	11 %	5 %	15 %	58 %	39 %	-4 %
Internet Devices	8 %	18 %	6 %	6 %	-3 %	11 %
<b>Total Revenue</b>	<b>9 %</b>	<b>15 %</b>	<b>8 %</b>	<b>14 %</b>	<b>2 %</b>	<b>9 %</b>
<b>Revenue (% of Total Revenue)</b>						
Desktop	21 %	21 %	23 %	21 %	15 %	11 %
Internet Devices	79 %	79 %	77 %	79 %	85 %	89 %
EBIT	8 015	2 492	-8 981	-15 690	-6 754	2 183
EBIT, excluding stock option costs	10 290	5 927	-7 387	-13 616	-6 554	1 448
EBITDA	9 674	4 013	-7 400	-14 295	-5 609	3 328
EBITDA, excluding stock option costs	11 950	7 448	-5 806	-12 220	-5 409	2 593
EPS	0,039	0,019	(0,068)	(0,109)	(0,018)	0,010
EPS, Fully Diluted	0,037	0,017	(0,068)	(0,109)	(0,018)	0,010