

Opera Software

First quarter 2006



The best Internet experience on any device

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OPERA SOFTWARE ASA – FIRST QUARTER 2006

Highlights

- Revenues of MNOK 47.8 in 1Q06, up from MNOK 28 in Q1 2005, an increase of 71%
- Excluding stock option costs of MNOK 8.4, non-IFRS Earnings Before Interest and Taxes ("EBIT") was MNOK 1.2 in 1Q06 compared to MNOK -4.4 in 1Q05
- IFRS EBIT was MNOK -7.2 in 1Q06 compared to MNOK -5.6 in 1Q05
- The number of mobile phones sold with the Opera browser was 7.7 million in 1Q06, compared to 3.4 million units in 1Q05. This represents an increase of 126% in 1Q06 compared to 1Q05
- 8 new mobile phones that include the Opera browser were announced since the last quarterly report. Opera has announced 14 new models so far in 2006
- KDDI announced 7 new devices using the Opera browser since the 4Q05 quarterly report. KDDI has announced 10 new phones using the Opera browser so far in 2006
- Opera Software and T-Mobile entered into an agreement whereby Opera Mini will be pre-installed as the default Web browser on upcoming T-Mobile handsets as part of the German operator's web 'n' walk offering. T-Mobile is the first mobile phone operator to launch Opera Mini
- Opera Mini was launched worldwide in January 2006. More than 3 million people have downloaded and used Opera Mini to view web content. This represents a 140% increase in the number of users since the 4Q05 quarterly report.
- Nintendo has selected the Opera browser for its new generation game console, Wii. This comes on the heels of an earlier announcement in 1Q06, whereby Nintendo had chosen Opera as the default browser on its Nintendo DS handheld gaming device
- Opera continues to expand the range of non-mobile phone devices powered by Opera's browser. In addition to gaming consoles, in 1Q06, Opera signed its first contracts with a provider of net-TVs and a provider of VoIP screenphones.
- Opera Software raised NOK 211.2 million in cash through a directed share issue. The purpose of the placement was to strengthen the equity of the company in an expansionary phase and to take advantage of strategic opportunities.

Financials

Revenues: Revenue in 1Q06 was MNOK 47.8, up 71% from 1Q05, where revenue was MNOK 28.

Payroll and related expenses, excluding stock option costs: Total payroll and related expenses, excluding stock option costs, were MNOK 33.1 in 1Q06 compared to MNOK 22.8 in 1Q05, an increase of 45%. This increase was due primarily to higher headcount in engineering and sales and marketing.

Stock option costs: Total stock option costs for 1Q06 were MNOK 8.4. This increase in costs was driven largely by the increase in Opera's stock price from NOK 22.50 at the end of 4Q05 to NOK 32.30 at the end of 1Q 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. This cost is estimated based on multiplying the relevant jurisdictional payroll tax rate by the difference between the stock price at the end of a quarter and the exercise prices of Opera's employee options, adjusted for the vesting periods of those options and employee attrition.

Other Operating Expenses: Other Operating Expenses in 1Q06 were MNOK 12.7, up 41% from 1Q05. Increased Other Operating Expenses are largely attributable to indirect costs associated with higher headcount and the Company's global expansion, such as office rent and travel.

EBIT: Excluding stock option costs, non-IFRS EBIT was MNOK 1.2 in 1Q06 versus MNOK -4.4 in 1Q05. EBIT was MNOK -7.2 in 1Q06 compared to MNOK -5.6 in 1Q05.

Net Income: Net Income was MNOK -4.7 in 1Q06 compared to MNOK -3.4 in 1Q05. EPS and fully diluted EPS were -.041 and -.038, respectively, in 1Q06, compared to -.028 and -.027, respectively, in 1Q05.

Cash Flow: Cash flow was MNOK 224.0 in 1Q06. The increase in cash was due primarily to the Company's MNOK 211.2 million directed share issue, which was completed at the end of 1Q06.

Cash: Cash and cash equivalents at the end of 1Q06 were MNOK 442.5.

Organization: At the end of 1Q06, the Company had 283 full-time employees compared to 210 at the end of 1Q 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 41.7 in 1Q06 compared to MNOK 21.6 in 1Q05, an increase of 93%, powered by strong growth across both the mobile phone and other internet device segments.

Mobile phone revenue continued to increase, as Opera's OEM and operator customers 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 1Q06, Opera was pre-installed on 7.7 million mobile phones compared to 3.4 million phones in 1Q05, an increase of 126%.

Revenue from other Internet Devices was also up in 1Q06 compared to 1Q05, 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 4% in 1Q06 to MNOK 6.1 compared to MNOK 6.4 in 1Q05. 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 is well-positioned for continued growth in 2006, 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, May 22, 2006
The Board of Directors
Opera Software ASA

Christian H. Thommessen
Chairman
(sign.)

Jon S. von Tetzchner
CEO
(sign.)

Opera Software ASA

CONSOLIDATED STATEMENTS OF INCOME

(In thousands of NOK, except per share amounts)

(Unaudited)

INCOME STATEMENT	Q1 2006	Q1 2005	% Increase	FY 2005	FY 2004	% Increase
Desktop	6,120	6,391	-4%	25,825	33,438	-23%
Internet Devices	41,717	21,574	93%	128,129	65,887	94%
Other Income				-	87,689	
Total Revenue	47,837	27,965	71%	153,954	187,014	
Payroll and related expenses, excluding stock option costs	33,093	22,920	44%	101,437	71,858	41%
Stock option costs	8,430	1,233	584%	6,896	5,642	22%
Depreciation and amortization	806	366	120%	2,055	1,184	74%
Other operating expenses	12,717	9,030	41%	42,639	29,098	47%
Total Expenses	55,046	33,549	64%	153,027	107,782	42%
Earnings Before Interest and Taxes ("EBIT")	(7,210)	(5,584)		927	79,232	
Financial Income	1,400	1,306		6,429	5,359	
Financial Expenses	(695)	(421)		(2,738)	(2,706)	
Earnings Before Taxes ("EBT")	(6,505)	(4,699)		4,617	81,885	
Provision for Taxes	1,821	1,315		(1,819)	(24,354)	
Net Income	(4,684)	(3,384)		2,799	57,531	
Earnings Per Share	(0.04)	(0.03)		(0.03)	0.60	
Earnings Per Share, Fully Diluted	(0.04)	(0.03)		(0.03)	0.55	
Shares used in per share calculation (mm)	114.41	99.27		100.70	95.63	
Shares used in per share calculation, Fully Diluted (mm)	122.09	112.90		103.88	104.04	
Number of Employees	283	210	35%	264	195	35%

HISTORICAL SUMMARY: LAST 6 QUARTERS	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
<u>Revenue ('1000s of NOK)</u>						
Desktop	6,120	6,396	6,069	6,970	6,391	9,757
Internet Devices	41,717	41,669	31,437	33,447	21,574	20,078
Other						124
Total Revenue	47,837	48,065	37,506	40,417	27,965	29,959
<u>Revenue (% Growth)</u>						
Desktop	-4%	5%	-13%	9%	-34%	3%
Internet Devices	0%	33%	-6%	55%	7%	33%
Total Revenue	0%	28%	-7%	45%	-7%	22%
<u>Revenue (% of Total Revenue)</u>						
Desktop	13%	13%	16%	17%	23%	33%
Internet Devices	87%	87%	84%	83%	77%	67%
EBIT	(7,210)	3,839	(5,137)	7,808	(5,584)	(1,412)
EBIT, excluding stock option costs	1,220	4,637	(1,576)	9,112	(4,351)	(1,420)
EBITDA	(6,404)	4,433	(4,462)	8,228	(3,985)	(1,122)
EBITDA, excluding stock option costs	2,026	5,231	(901)	9,532	(2,752)	(1,130)
EPS	(0.04)	0.04	(0.03)	0.06	(0.03)	-
EPS, Fully Diluted	(0.04)	0.03	(0.03)	0.06	(0.03)	-

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CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

BALANCE SHEET	Q1 2006	Q1 2005	FY 2005	FY 2004
Deferred Taxes	3,203	2,428	1,237	1,631
Goodwill	3,143	3,143	3,143	3,143
Fixed Assets, Net	13,181	2,865	9,251	2,338
Accounts Receivable	27,667	32,122	24,822	18,648
Accrued, but Unbilled Revenue	46,987	13,316	57,142	10,978
Other Current Assets	10,992	3,923	11,385	3,777
Cash and cash equivalents	442,531	220,565	218,526	241,275
Total Assets	547,704	278,362	325,506	281,790
Accounts Payable	10,330	3,509	4,945	2,794
Other Liabilities	44,884	13,402	30,610	16,576
Total Liabilities	55,214	16,911	35,555	19,370
Common stock	2,288	1,985	2,056	1,985
Additional paid-in-Capital	423,542	196,917	229,990	205,238
Retained earnings	66,660	62,549	57,904	55,197
Total Equity	492,490	261,451	289,950	262,420
Total Liabilities and Equity	547,704	278,362	325,505	281,790
EQUITY STATEMENT	Q1 2006	Q1 2005	FY 2005	FY 2004
Opening balance	289,950	262,420	262,420	79,977
Net profit/(loss)	(4,683)	(3,384)	2,799	57,531
Equity share issue	207,246	967	24,823	124,918
Other ***)	-23	1,448	(92)	(6)
Closing Balance	492,490	261,451	289,950	262,420
CASH FLOW STATEMENT	Q1 2006	Q1 2005	FY 2005	FY 2004
Cash flow from operating activities				
Profit/loss before taxes	(6,504)	(4,698)	4,618	81,885
Taxes paid		(57)	(878)	(678)
Depreciation expense	806	367	2,055	1,184
Changes in accounts receivable *)	7,310	(13,475)	(6,174)	4,540
Changes in accounts payable	5,272	715	2,264	823
Changes in other liabilities	14,684	(3,594)	(40,362)	6,215
Share-based remuneration	1,194	968	2,995	3,583
Conversion discrepancy	-17	(22)	(45)	0
Net cash flow from operating activities	22,745	-19,796	-35,527	97,552
Cash flow from investment activities				
Acquisition of tangible fixed assets	(4,793)	(913)	(9,034)	(2,041)
Net cash flow from investment activities	(4,793)	(913)	(9,034)	(2,041)
Cash flow from financing activities				
Proceeds from exercise of stock options, warrants			21,812	5,574
Proceeds of Share Issues, net	206,053			111,802
Net cash flow from financing activities	206,053	0	21,812	117,376
Net change in cash and cash equivalents	224,005	(20,709)	(22,749)	212,887
Cash and cash equivalents **)	218,526	241,275	241,275	28,388
Cash and cash equivalents	442,531	220,566	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 2,447 are restricted assets as of March 31, 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.

***) Q1 2005 adjusted for IFRS 2

Note: The first quarter 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.