

Opera Software

Third quarter 2006



The best Internet experience on any device

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OPERA SOFTWARE ASA – THIRD QUARTER 2006

Opera delivered revenues of MNOK 53.2 in 3Q06, up 42% versus 3Q05, driven by growing mobile shipments and increasing traction and momentum among non-mobile device manufacturers.

Highlights

- Revenues of MNOK 53.2 in 3Q06, up from MNOK 37.5 in 3Q05, an increase of 42%. IFRS EBIT was MNOK -6.8 in 3Q06 compared to MNOK -5.1 in 3Q05 and non-IFRS EBIT was MNOK -6.6 in 3Q06 vs. MNOK -1.6 in 3Q05.
- The number of mobile phones sold with the Opera browser was 8.6 million¹ in 3Q06, compared to 4.2 million units in 3Q05. This represents an increase of 105% in 3Q06 compared to 3Q05
- 14 new mobile phones that include the Opera Mobile browser were announced in 3Q06. Opera has announced 33 new models so far in 2006.
- Opera signed an extension agreement with KDDI, Japan's leading 3G operator
- Opera Mini continued its momentum in 3Q06 among operators, with two new operators signing up for distribution deals (TDC and Omnitel). Meanwhile, Samsung in Poland pre-installed Opera Mini on a handset. In total, Opera announced 5 new handsets with Opera Mini pre-installed in the quarter. So far, Opera Mini has been downloaded and used by more than 7 million users worldwide.
- Opera for Devices continued to grow in its core target market segments. Opera signed deals in the IP set-top box market, including Telsey Telecommunications and Pirelli Broadband Solutions. The Nintendo DS Browser went on sale in Japan (July) and Europe (October), while the Sony Mylo featuring Opera started shipping in September.
- Opera Desktop had sequential revenue growth for the first time since 4Q05. Revenue grew 39% in 3Q06 versus 2Q06.

Financials

Revenues

Revenue in 3Q06 was MNOK 53.2, up 42 % from 3Q05, where revenue was MNOK 37.5. Revenue growth in the quarter was primarily driven by attractive growth within both the mobile phone and devices segments.

Operating Costs

Total operating costs for 3Q06 were MNOK 59.9 compared to MNOK 42.6 in 3Q05, an increase of 41%.

Payroll and related expenses, excluding stock option costs: Total payroll and related expenses, excluding stock option costs, were MNOK 42.0 in 3Q06 compared to MNOK 28.6 in 2Q05, an increase of 47%. This increase was due primarily to higher headcount in engineering and sales and marketing globally.

Stock option costs: Total stock option costs for 3Q06 were MNOK .2 compared to MNOK 3.6 in 3Q05.

Other Operating Expenses: Other Operating Expenses in 3Q06 were MNOK 16.6, up 68% from 3Q05. Increased Other Operating Expenses are largely attributable to higher marketing costs, larger indirect costs associated with both higher headcount and the Company's global expansion. Other Operating Expenses also includes an extraordinary Accounts Receivable reserve for one customer of approximately MNOK .9 and complementary third-party software costs of approximately MNOK .9.

¹ This includes an estimate for one customer. Opera will update these figures once Opera receives the actuals from this one customer.

EBIT

Excluding stock option costs, non-IFRS EBIT was MNOK -6.6 in 3Q06 versus MNOK -1.6 in 3Q05. EBIT was MNOK -6.8 in 3Q06 compared to MNOK -5.1 in 3Q05.

Interest Income and FX Gains/(Losses)

Interest income was MNOK 5.6 in 3Q06 versus MNOK 1.6 in 3Q05. Interest income was significantly higher than in 3Q05 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 -.2 in 3Q06 compared to MNOK -.5 in 3Q05.

Net Income

Net Income was MNOK -2.2 in 3Q06 compared to MNOK MNOK -2.9 in 3Q05. EPS and fully diluted EPS were -.02 and -.02, respectively, in 3Q06, compared to -.03 and -.03 respectively, in 3Q05.

Liquidity and Capital Resources

The Company's net cash flow from operating activities was MNOK -40 in 3Q06 compared to MNOK 6.9 in 2Q06 and MNOK -19.6 in 3Q05. The large negative cash flow for the quarter was driven largely by the payment of social security taxes associated with the exercise of employee stock options in 2Q06 and increases in accounts receivable (including Accrued, but Unbilled Revenue).

Cash: Cash and cash equivalents at the end of 3Q06 were MNOK 416.

Organization: At the end of 3Q06, the Company had 335 full-time employees compared to 252 at the end of 3Q05.

Business Segment Overview

Opera's corporate mission is to provide the best Internet experience on any device. Throughout 2006, Opera has continued to deliver on its mission, 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.

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. Internet Devices also includes revenue from Opera Mini.

Revenue from Internet Devices rose to MNOK 45.0 in 3Q06 compared to MNOK 31.4 in 3Q05, an increase of 43%, powered by strong growth across both the mobile phone and other internet device segments.

Handsets featuring Opera Mobile, Q306

Hitachi W43H
Toshiba W47T
Toshiba DRAPE
Casio W43CA
Sanyo W43SA
Sony Ericsson W43S
Kyocera W43K
Sharp W41SH
Toshiba W45T
Sanyo W42SA
Kyocera W44K
Sony Ericsson W958c
Motorola E680G
Sharp W-ZERO3

Opera Mobile

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

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

Opera and KDDI signed an extension agreement on September 21, confirming the parties' mutual commitment to KDDI's growth in Japan. Opera has so far been announced on 27 KDDI handsets.

Opera continued its commitment to the Series 60 platform. In September, Opera launched an upgraded version of the Opera Mobile browser (8.65) for the S60 platform.

Opera Mini

For many years, only powerful phones were capable of giving users access to their favorite Web sites. With Opera Mini, almost any mobile phone can display Web sites, Web email services and more. More than 1 billion mobile phones are capable of running Opera Mini today.

Opera offers versions of Opera Mini to OEMs, mobile operators, content providers and consumers. Opera offers customer-branded and Opera-branded solutions to its business customers. The Company also provides Opera-branded versions to consumers both directly from its corporate website and indirectly through its business partners.

Since launch through 3Q06, Opera has signed distribution deals for the Opera-branded Mini browser with 7 mobile operators (including TDC and Omnitel in 3Q06) and has one major European operator, T-Mobile International, using a T-Mobile branded version of the Opera Mini browser as part of the operator's Web'n'Walk offering.

In 3Q06, 5 new phones were announced with Opera Mini pre-installed, bringing the year to date totals through 3Q06 to 15. TDC, Denmark's leading provider of mobile telecommunication services, and Omnitel, the largest mobile telecommunications company in the Baltic countries, will offer Opera Mini. TDC will offer Opera Mini as a download option from its website and Omnitel will offer both a pre-loaded and downloadable version.

Since the launch of Opera Mini, more than 7 million users have downloaded and used Opera Mini and downloaded more than 2 billion pages, generating strong data traffic, and therefore revenue, to mobile phone operators worldwide.

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. Other Internet Devices is Opera's fastest growing business segment from a revenue growth standpoint.

In September Opera announced agreements with Telsey Telecommunications and Pirelli Broadband Solutions, both leading manufacturers of IP set-top boxes. Under these agreements, the companies will integrate the Opera browser to power full Web surfing and dynamic Web applications on their devices.

Opera for the Nintendo Wii console will become available for download at some point after all of the regional releases of the

Wii, although Nintendo has not set a specific release date for the Opera browser at this time.

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 anyone with the tools and features that create a safer, more efficient and more enjoyable browsing experience.

Revenue from Desktop rose 34% in 3Q06 to MNOK 8.1 compared to MNOK 6.1 in 3Q05. 3Q06 represents the first sequential quarterly growth in Desktop revenue since 4Q05. Growth in 3Q06 was driven largely by a licensing deal signed with Adobe in the quarter and increasing search revenue generated by a greater volume of searches conducted by Opera Desktop users.

Outlook

Opera's revenue in 3Q06 overall was slightly higher than expected. Revenue from both Internet Devices and Desktop was slightly higher than expected. Opera's revenue from Nokia increased in the third quarter compared to 2Q06. Opera expects that revenues from Nokia will decline in the future, with the timing of such a decline unclear.

As far as 4Q06 revenue expectations, the Company remains cautious, as a result of the delay of Opera's availability on the Nintendo Wii until after all of the regional release dates for the Wii and the potential for longer than anticipated sales cycles in Opera's Internet Devices segment.

From an operating cost perspective in 4Q06 and for FY 2006 as a whole, Opera expects total expenses to be higher than anticipated in the 2Q06 presentation. In particular, Opera expects to incur approximately MNOK 4.5 of one-time expenditures, primarily due to the engagement of a number of consulting firms as Opera reviews its current strategy and develops a three-year strategic plan for its business.

In addition, as of November 1, 2006, the Company has set up an operation in Poland, with 23 employees. This is an exciting development for Opera. The engineering operation in Poland will focus on porting the Opera full browser and Opera Mini to primarily BREW handsets in the Americas, serving BREW mobile phone customers worldwide, and delivering Opera on the Linux platform to non-mobile phone device manufacturers globally.

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.

The Company will provide information on its 2007 outlook and strategy at the Opera Capital Markets Day, scheduled for 13:00-17:00, December 12, 2006, at Opera's worldwide headquarters in Oslo.

Oslo, November 17, 2006
The Board of Directors
Opera Software ASA

Nils A. Foldal
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	Q3 2006	Q3 2005	% Increase	Q1-Q3 2006	Q1-Q3 2005	% Increase
Desktop	8 150	6 069	34 %	20 145	19 430	4 %
Internet Devices	45 030	31 437	43 %	133 085	86 458	54 %
Total Revenue	53 180	37 506	42 %	153 230	105 888	
Payroll and related expenses, excluding stock option costs	42 009	28 538	47 %	108 891	73 093	49 %
Stock option costs	200	3 561	-94 %	7 895	6 098	29 %
Depreciation and amortization	1 145	675	70 %	2 969	1 461	103 %
Other operating expenses ***)	16 580	9 869	68 %	45 257	28 149	61 %
Total Expenses	59 934	42 643	41 %	165 011	108 801	52 %
Earnings Before Interest and Taxes ("EBIT")	(6 754)	(5 137)		(11 781)	(2 913)	
Interest Income	5 558	1 642		8 840	4 706	
FX gains/(losses)	(189)	(498)		(3 029)	(2 184)	
Earnings Before Taxes ("EBT")	(1 384)	(3 993)		(5 970)	(391)	
Provision for Taxes	(762)	1 094		524	86	
Net Income	(2 147)	(2 899)		(5 446)	(305)	
Earnings Per Share	(0,018)	(0,028)		(0,047)	(0,003)	
Earnings Per Share, Fully Diluted	(0,018)	(0,026)		(0,045)	(0,003)	
Shares used in per share calculation (mm)	116 928 246	102 827 080		116 928 246	102 827 080	
Shares used in per share calculation, Fully Diluted (mm)	122 134 746	110 560 580		122 134 746	110 560 580	
Number of Employees	335	252	33 %			

HISTORICAL SUMMARY: LAST 6 QUARTERS	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005
<u>Revenue ('1000s of NOK)</u>						
Desktop	8 150	5 875	6 120	6 396	6 069	6 970
Internet Devices	45 030	46 338	41 717	41 669	31 437	33 447
Total Revenue	53 180	52 213	47 837	48 065	37 506	40 417
<u>Revenue (% Growth)</u>						
Desktop	39 %	-4 %	-4 %	5 %	-13 %	9 %
Internet Devices	-3 %	11 %	0 %	33 %	-6 %	55 %
Total Revenue	2 %	9 %	0 %	28 %	-7 %	45 %
<u>Revenue (% of Total Revenue)</u>						
Desktop	15 %	11 %	13 %	13 %	16 %	17 %
Internet Devices	85 %	89 %	87 %	87 %	84 %	83 %
EBIT	(6 754)	2 183	(7 210)	3 839	(5 137)	7 808
EBIT, excluding stock option costs	(6 554)	1 448	1 220	4 637	(1 576)	9 112
EBITDA	(5 609)	3 328	(6 404)	4 433	(4 462)	8 228
EBITDA, excluding stock option costs	(5 409)	2 593	2 026	5 231	(901)	9 532
EPS	(0,018)	0,010	(0,041)	0,035	(0,028)	0,060
EPS, Fully Diluted	(0,018)	0,010	(0,038)	0,033	(0,026)	0,056

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CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

BALANCE SHEET	Q3 2006	Q2 2006	Q3 2005	FY 2005	FY 2004
Deferred Taxes	5 954	5 210	1 455	1 237	1 631
Goodwill	3 143	3 143	3 143	3 143	3 143
Fixed Assets, Net	16 259	14 553	6 671	9 251	2 338
Accounts Receivable	35 963	23 323	39 684	24 822	18 648
Accrued, but Unbilled Revenue	56 583	55 310	30 035	57 142	10 978
Other Current Assets	5 546	5 139	6 918	11 385	3 777
Cash and cash equivalents	415 982	456 727	205 893	218 526	241 275
Other operating expenses	539 430	563 405	293 799	325 506	281 790
Accounts Payable	3 326	3 084	5 649	4 945	2 794
Other Liabilities	28 116	52 664	13 661	30 610	16 576
Total Liabilities	31 441	55 748	19 310	35 555	19 370
FX gains/(losses)	2 339	2 332	2 057	2 056	1 985
Additional paid-in-Capital	441 022	435 607	203 428	229 990	205 238
Retained earnings	64 629	69 718	69 004	57 904	55 197
Total Equity	507 989	507 657	274 489	289 950	262 420
Total Liabilities and Equity	539 430	563 405	293 799	325 505	281 790

EQUITY STATEMENT	Q3 2006	Q2 2006	Q1-Q3 2006	Q1-Q3 2005	FY 2005	FY 2004
Opening balance	507 657	492 490	289 950	263 904	262 420	79 977
Net profit/(loss)	(2 147)	1 384	(17 525)	(305)	2 799	57 531
Equity share issue	2 350	13 799	223 396	11 001	24 823	124 918
Other	129	(16)	89	(111)	(92)	(6)
Closing Balance	507 989	507 657	495 910	274 489	289 950	262 420

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CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

CASH FLOW STATEMENT	Q3 2006	Q2 2006	Q1-Q3 2006	Q1-Q3 2005	FY 2005	FY 2004
Cash flow from operating activities						
Profit/loss before taxes	(1 385)	1 919	(22 746)	(390)	4 618	81 885
Taxes paid	(1 159)	(20)	(1 179)	(81)	(878)	(678)
Depreciation expense	1 145	1 018	2 968	1 461	2 055	1 184
Changes in accounts receivable *)	(13 912)	(3 980)	6 713	(40 093)	(6 174)	4 540
Changes in accounts payable	145	(7 246)	(1 829)	2 856	2 264	823
Changes in other liabilities, net	(26 359)	13 515	1 322	(4 218)	(40 362)	6 215
Share-based remuneration	1 465	1 692	4 350	3 460	2 995	3 583
Conversion discrepancy	85	(33)	120	(60)	(45)	0
Net cash flow from operating activities	(39 973)	6 865	(10 279)	(37 065)	(35 527)	97 552
Cash flow from investment activities						
Acquisition of tangible fixed assets	(1 785)	(2 376)	(8 989)	(5 857)	(9 034)	(2 041)
Net cash flow from investment activities	(1 785)	(2 376)	(8 989)	(5 857)	(9 034)	(2 041)
Cash flow from financing activities						
Proceeds from exercise of stock options, warrants	1 013	9 707	216 724	7 541	21 812	5 574
Proceeds of Share Issues, net						111 802
Net cash flow from financing activities	1 013	9 707	216 724	7 541	21 812	117 376
Net change in cash and cash equivalents	(40 745)	14 196	197 456	(35 381)	(22 749)	212 887
Cash and cash equivalents **)	456 727	442 531	218 526	241 275	241 275	28 388
Cash and cash equivalents	415 982	456 727	415 982	205 894	218 526	241 275

*) Changes in Accrued, but Unbilled Revenue are included in changes in accounts receivable in the cash flow statement.

**) Cash and cash equivalents of NOK 2,720K are restricted assets as of September 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.

***) 3Q06 Other Operating Expenses include an extraordinary Accounts Receivable reserve for one customer of approximately NOK 900K and complementary third-party software costs of approximately NOK 900K.

Note: The 9 months of 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.