

# Opera Software

## Third quarter 2006

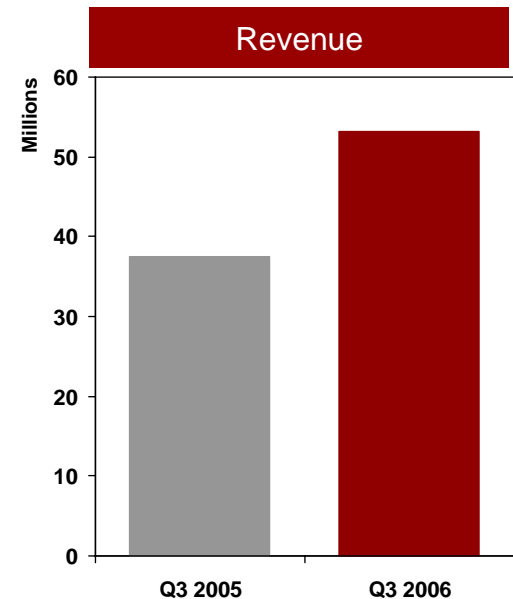


The best Internet experience on any device

## Highlights

### Third quarter 2006

- ❑ Revenues of MNOK 53.2 in 3Q06, up from MNOK 37.5 in 3Q05, an increase of 42%
- ❑ EBIT of MNOK -6.8 in 3Q06 versus MNOK -5,1 in 3Q05
  
- ❑ 8.6 million mobile phones were shipped with Opera in 3Q06\*, compared to 4.2 million units in 3Q05, an increase of 105 %
- ❑ 13 new mobile phones with Opera announced in quarter



\* Includes an estimate for unit volumes for one customer. We will update this information once we receive the actual figures.

## Highlights

### Third quarter 2006

#### Opera Mini continues its momentum

- ❑ Number of users\*: 7 million
- ❑ Pages downloaded: 2 billion
- ❑ New operators signed up
- ❑ Opera Mini was pre-installed on 5 handsets in the quarter

#### Opera Devices

- ❑ Signed IP set-top box deals with Telsey Telecommunications and Pirelli Broadband Solutions for IP set-top box
- ❑ Nintendo DS Browser went on sale in Japan (July) and Europe (October), while the Sony Mylo featuring Opera started shipping in September.

#### Opera Desktop

- ❑ Sequential revenue growth for the first time since 4Q05. Revenue grew 39% in 3Q06 versus 2Q06
- ❑ Renewed licensing agreement with Adobe (4Q06)



\* Number of users who have downloaded and used Opera Mini

# Financial Review

## Financial Review

# Income statement

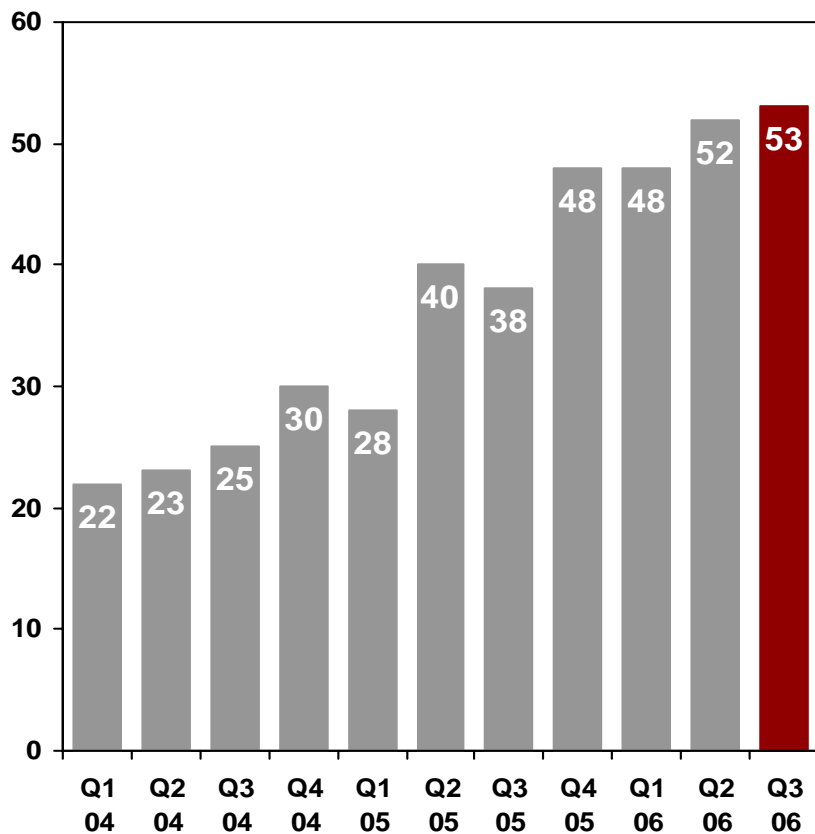
\* Last twelve months

NOK Million	Q3 2006	Q3 2005	YTD 2006	YTD 2005	LTM*	2005
Desktop	8 150	6 069	20 145	19 430	26 541	25 826
Internet Devices	45 030	31 437	133 085	86 458	174 754	128 128
<b>Total Revenue</b>	<b>53 180</b>	<b>37 506</b>	<b>153 230</b>	<b>105 888</b>	<b>201 295</b>	<b>153 954</b>
Payroll and related expenses	42 009	28 538	108 891	73 093	141 385	105 587
Stock option costs	200	3 561	7 895	6 098	8 693	6 896
Depreciation and amortization	1 145	675	2 969	1 461	3 563	2 055
Other operating expenses	16 580	9 869	45 257	28 149	55 597	38 489
<b>Total Expenses</b>	<b>59 934</b>	<b>42 643</b>	<b>165 011</b>	<b>108 801</b>	<b>209 237</b>	<b>153 027</b>
<b>EBIT</b>	<b>(6 754)</b>	<b>(5 137)</b>	<b>(11 781)</b>	<b>(2 913)</b>	<b>(7 942)</b>	<b>927</b>
Net financial items	5 370	1 144	5 811	2 522	6 981	3 691
EBT	(1 384)	(3 993)	(5 970)	(391)	(961)	4 618
Provision for Taxes	(762)	1 094	524	86	(904)	(1 819)
Net Profit	(2 147)	(2 899)	(5 446)	(305)	(1 865)	2 799
EPS (NOK)	(0,018)	(0,028)	(0,047)	(0,003)	(0,016)	0,028
EPS, Fully Diluted (NOK)	(0,018)	(0,026)	(0,045)	(0,003)	(0,015)	0,027

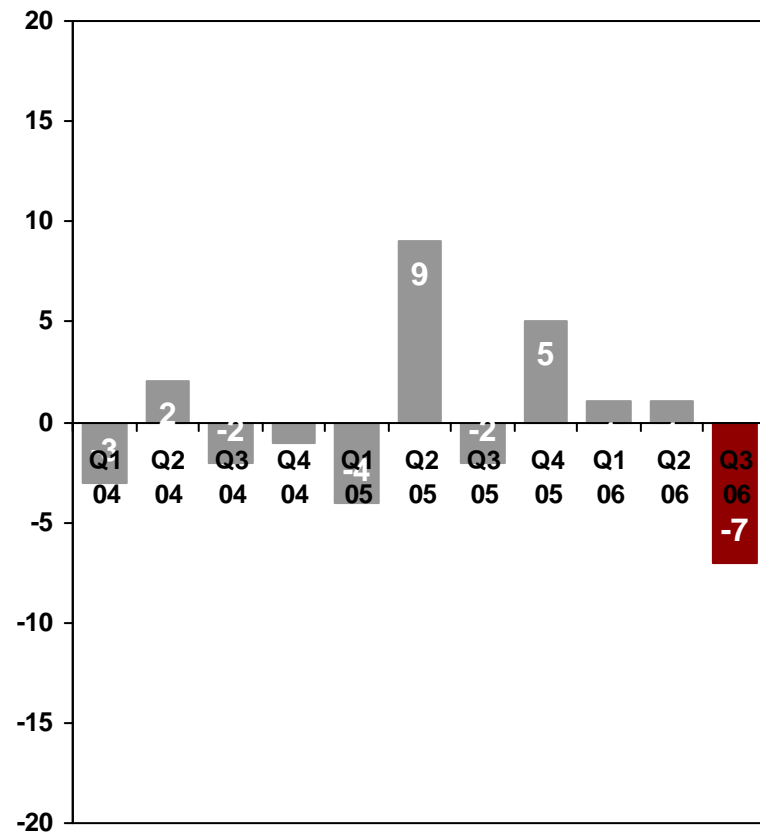
## Third quarter 2006

# Financial key figures

### Operating Revenues (NOK Million)



### EBIT (Non-IFRS) (NOK Million)

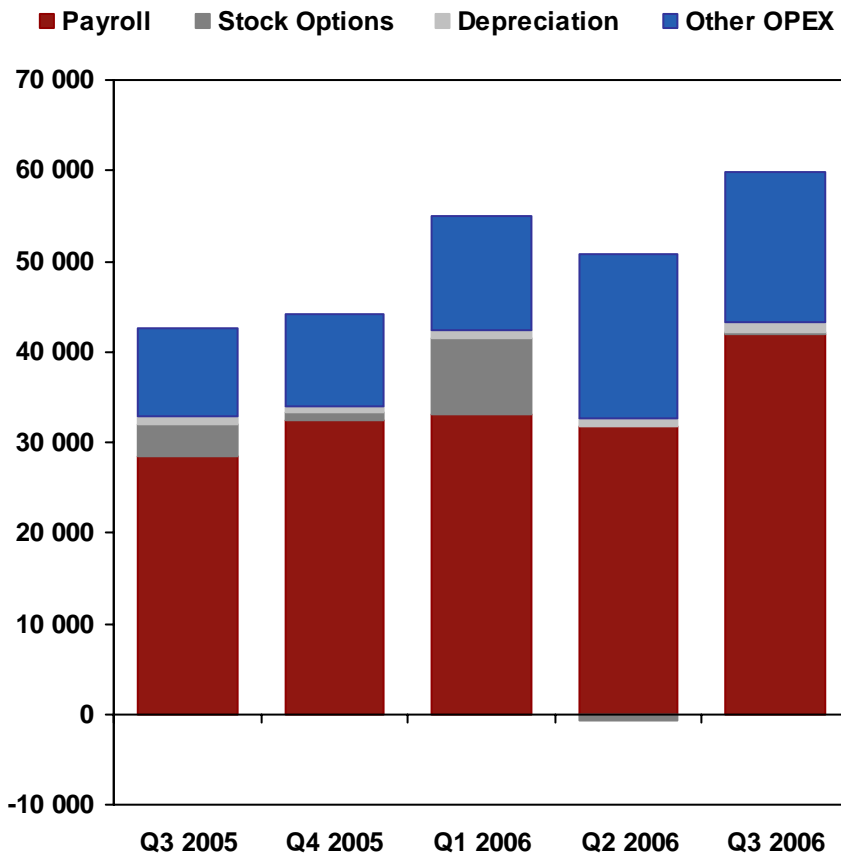


\* Non-IFRS EBIT excludes stock option cost

## Financial Review

# OPEX development

OPEX (NOK Million)



OPEX Comments 3Q06 vs 2Q06

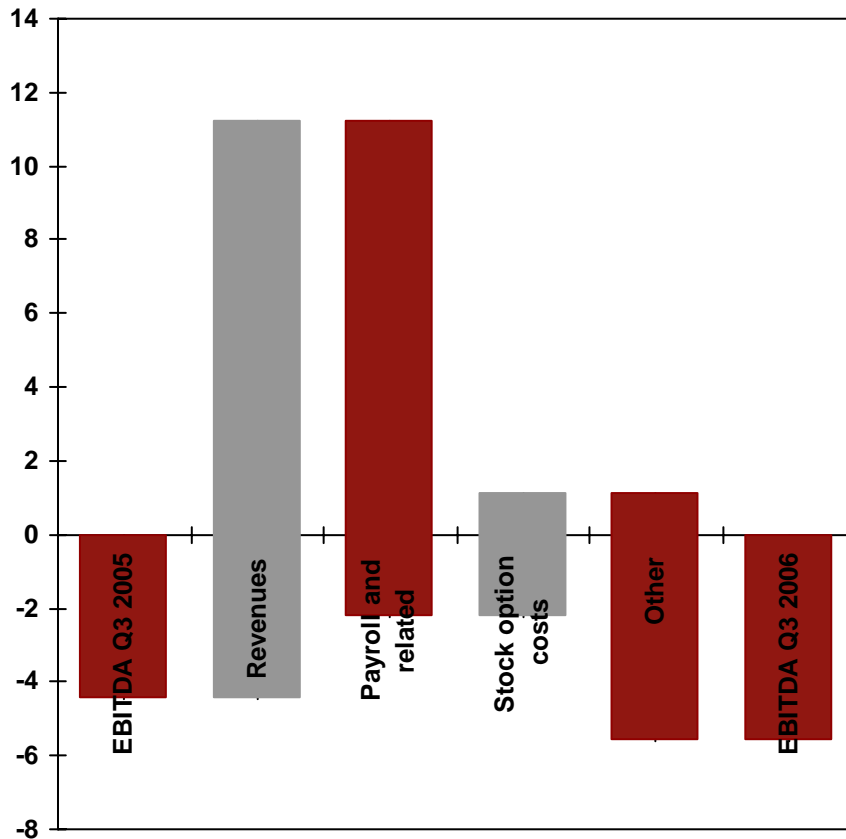
### Overall costs higher in 3Q06 vs. 2Q06

- Increased headcount
- 2Q06 payroll included June vacation payment to Norway-based employees
- Increased marketing costs

## Financial Review

# EBITDA Development

Q3 2005 / Q3 2006



Comments on EBITDA Development YoY\*

### Revenues up NOK 15,7 million

- Desktop: + NOK 2.1 million
- Internet Devices: + NOK 13.6 million

### Payroll and related expenses up NOK 13.5 million

- Sales & marketing globally
- Engineering

### Stock option cost down NOK 3.4 million

### Other expenses up NOK 6.7 million

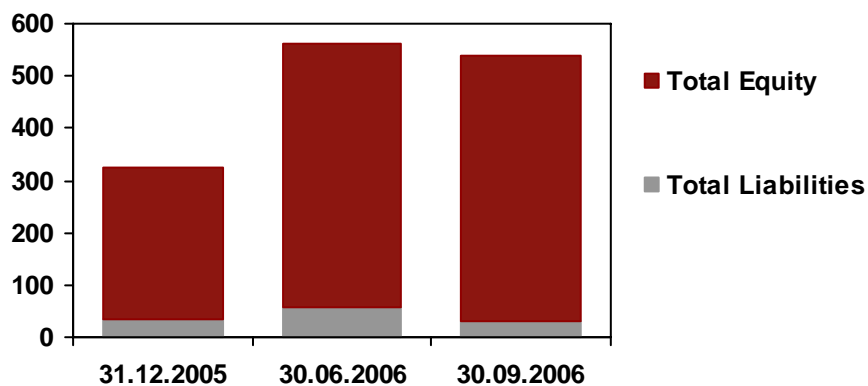
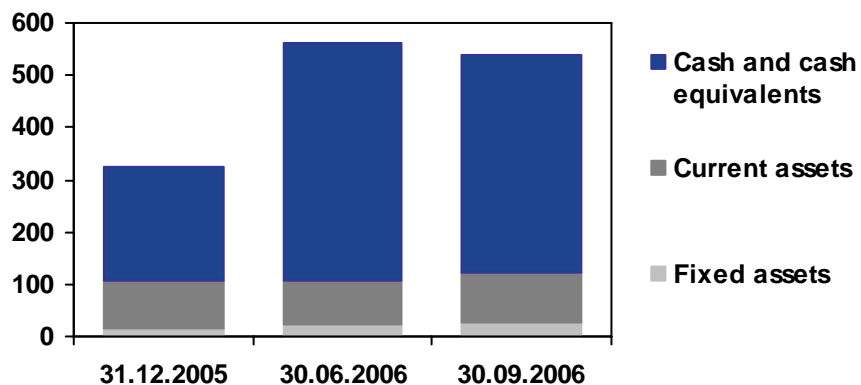
- Higher indirect costs associated with higher headcount and international expansion

\* Year over Year, Q3 2005 vs Q3 2006

## Financial Review

# Strong Capital Structure

Balance Sheets



Balance Sheet

Q3 06

Q2 06

**Assets**

Deferred Taxes	5 954	5 210
Goodwill	3 143	3 143
Fixed Assets, Net	16 259	14 553
Accounts Receivable	35 963	23 323
Accrued, but Unbilled Revenue	56 583	55 310
Other Current Assets	5 546	5 139
Cash and cash equivalents	415 982	456 727

<b>Total Assets</b>	<b>539 430</b>	<b>563 405</b>
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**Liabilities & Equity**

Accounts Payable	3 326	3 084
Other Liabilities	28 116	52 664

<b>Total Liabilities</b>	<b>31 441</b>	<b>55 748</b>
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Common stock	2 339	2 332
Additional paid-in-Capital	441 022	435 607
Retained earnings	64 629	69 718

<b>Total Equity</b>	<b>507 989</b>	<b>507 657</b>
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<b>Total Liabilities and Equity</b>	<b>539 430</b>	<b>563 405</b>
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## Financial Review

# Outlook: FY 2006

### Revenue:

#### Well-positioned for long-term growth

- ❑ 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 in both the mobile phone and consumer electronic industries

### FY 2006

- ❑ **Desktop:** Expect a continued positive increase in revenue in 4Q06 due to new search deal (close to being finalized, effective beginning of 4Q)
- ❑ **Devices:** Continued positive developments, as more and more consumer electronics companies put browsers on their devices. Potential delay of Opera availability for download on the Nintendo Wii beyond 4Q06 would affect timing of revenues
- ❑ **Mobile:** Continued positive momentum with operators and OEMs (such as Motorola). Cautious outlook because of uncertainty regarding short-term trend on Nokia volumes
- ❑ **Internet Devices overall:** Potential for longer than anticipated sales cycles

## Financial Review

# Outlook: FY 2006

### Operating Expenses (ex. stock option costs):

- ❑ Continued investment in our business lines, in particular around Opera Mini
- ❑ Continued investment in sales & marketing, new foreign offices (Japan and USA, in particular), and engineering and customer delivery
- ❑ As part of developing a three-year strategic plan to take advantage of the many market opportunities, Opera expects to incur approximately MNOK 4.5 of one-time expenditures, primarily due to the engagement of a number of consulting firms
- ❑ Establishment of an operation in Poland in 4Q06, with 23 employees
- ❑ Operating expenses expected to grow at a higher rate overall in 2006 compared to 2005 vs. 2004

# Operational Review

# Opera's vision



Opera's vision is to provide the best Internet experience on any device

## Operational Review Opera's Markets



This just in:

“For many, a night at the Opera has turned into a 24/7 experience on all their devices. Is there anything the Opera browser can’t do?”

*Alex Zaharov-Reutt, iTWire (Australia), November 13, 2006*

# Opera's vision is already delivered on a wide range of platforms

Desktop computers

Laptops

Gaming consoles

TVs

Set top boxes

Mobile phones

Personal communicators

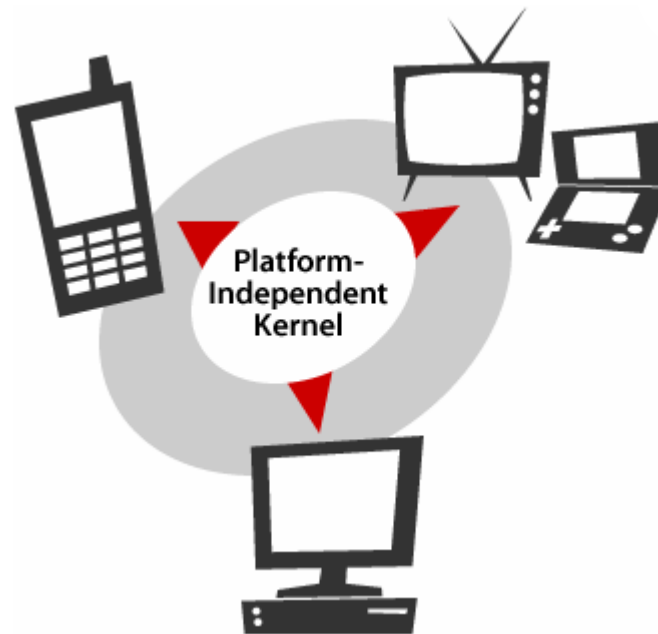
Portable media players

PDA's

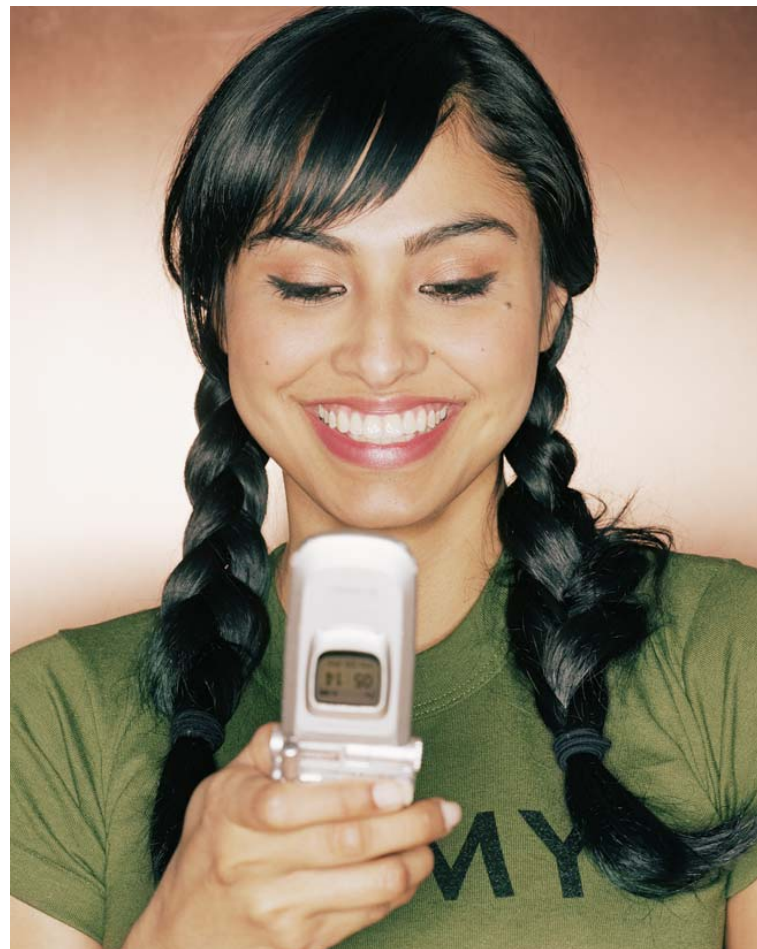
In-flight entertainment systems

Web tablets

IP screen phones



# Operational Review Opera Mobile



# Opera has solutions for the entire mobile value chain

## Opera Mobile browser

- ❑ Full Web browser for OEM integration

## Opera Mini

- ❑ Light weight Web browser

## Opera Platform

- ❑ Device independent platform for mobile Web applications



Opera Mobile Browser



Opera Mini

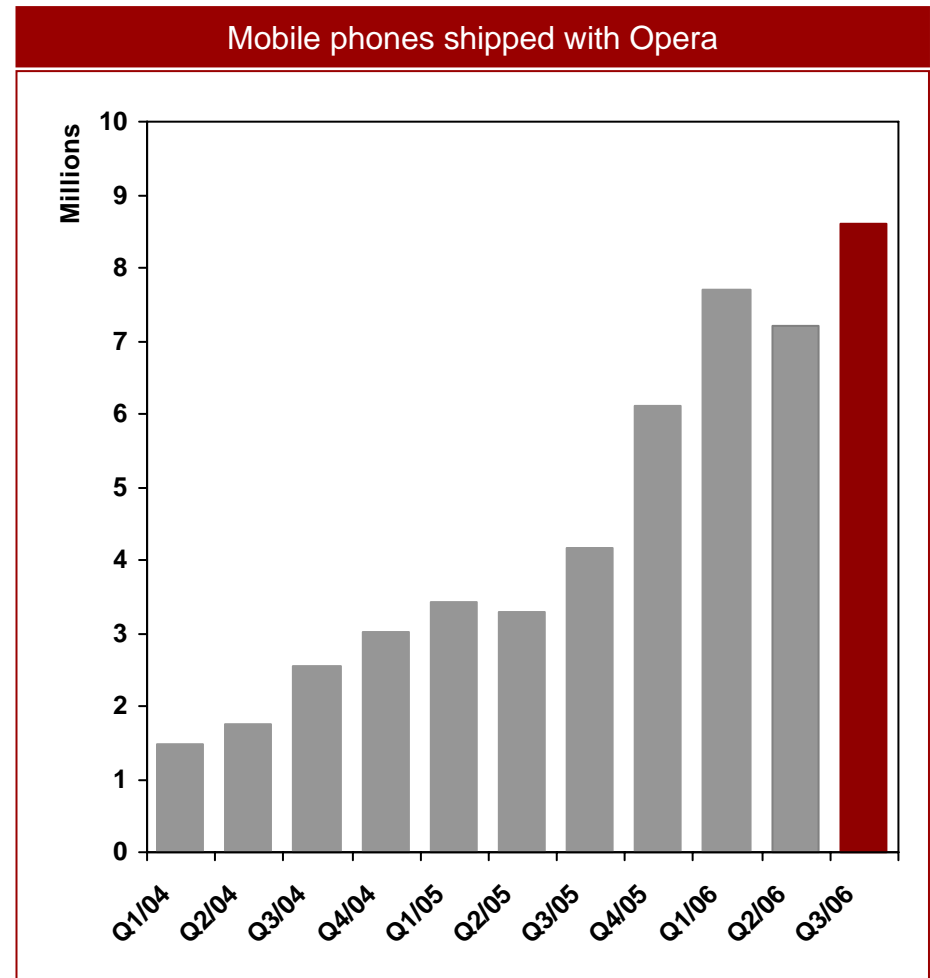


Opera Platform

## Opera for Mobile (full version) Third Quarter Highlights

- ❑ Total mobile shipments with Opera pre-installed increased 105%\* in 3Q06 vs. 3Q05
- ❑ 13 new mobile phones that include the Opera Mobile browser were announced in 3Q06. Opera has announced 33 new models so far in 2006
- ❑ Opera and KDDI signed an extension agreement on September 21. Opera has so far been announced on 27 KDDI handsets

\* Includes an estimate for unit volumes for one customer. We will update this information once we receive the actual figures.





# KDDI: Japan's hottest mobile operator



- ❑ KDDI has gained the most market share in 2004-2006 despite competition from industry giants DoCoMo and Vodafone (now Softbank)
- ❑ In Oct. 2006, when Mobile Number Portability launched in Japan, KDDI gained the most market share by adding 200500 new subscribers vs. 40800 net new subscribers for NTT DoCoMo



Operator	Dec. 2003	Dec. 2004	Dec. 2005	Oct. 2006	Growth since 2003
Docomo	45,734,900	47,914,200	50,365,700	52,143,000	14.01%
<b>KDDI au+Tu-Ka</b>	<b>19,647,300</b>	<b>22,358,600</b>	<b>24,511,200</b>	<b>26,603,100</b>	<b>35.40%</b>
VFKK/Softbank	14,774,000	15,211,000	15,053,000	15,330,800	3.77%

## KDDI and Opera

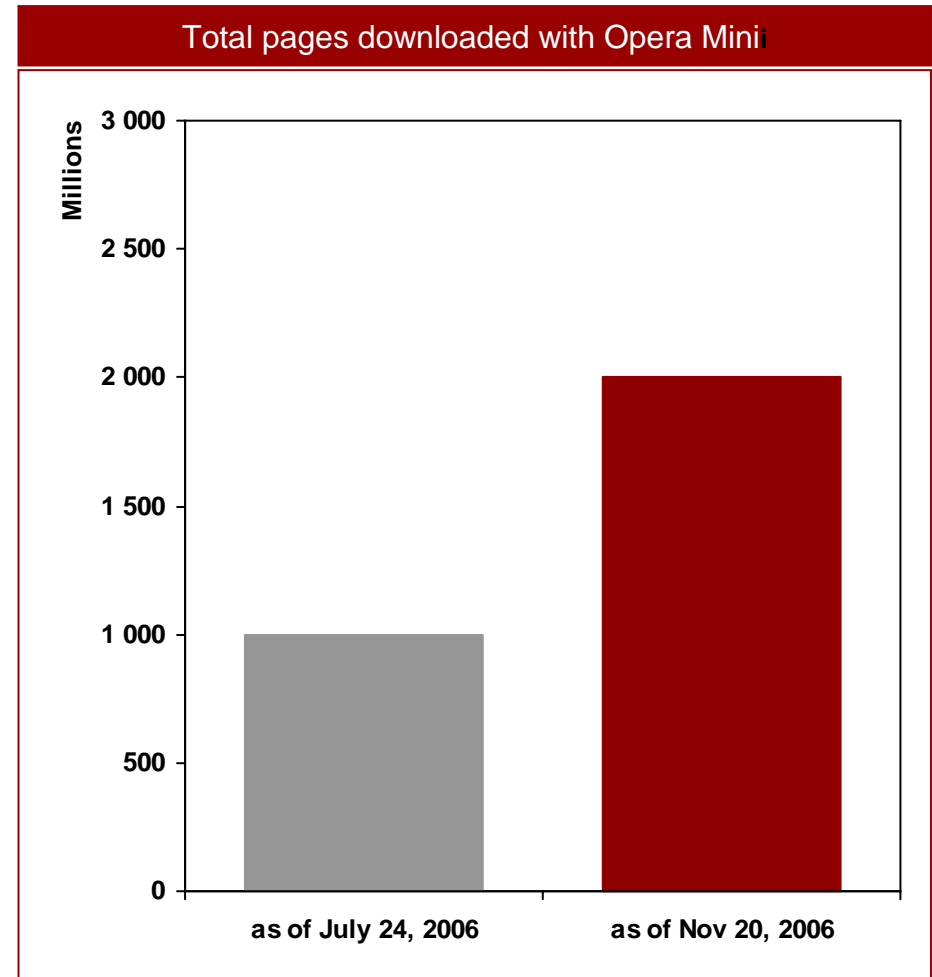


- ❑ In 3Q06, KDDI and Opera renewed their license agreement
- ❑ In 3Q06, KDDI began to ship all KDDI EVDO (WIN brand) handsets with Opera installed
- ❑ Full Web access with Opera is a now a key KDDI 3G service, and users can jump to Opera full web sites from the KDDI WAP search page
- ❑ KDDI users may pay an additional “flat rate” of 1500 yen for unlimited data usage for Opera, increasing KDDI ARPU

## Opera Mini Third Quarter Highlights

- ❑ Two new operators signed up in 3Q06 – TDC in Denmark and Omnitel in Lithuania
- ❑ Opera Mini was pre-installed on 5 handsets in the quarter. Including 19 handsets so far in 4Q, the YTD total is 34
- ❑ Total number of users\*: 7 million
- ❑ Cumulative pages downloaded since launch: 2 billion
- ❑ Opera Mini 3.0 is ready for launch shortly. Key new features include secure shopping/banking, newsfeeds, content folding and photoblogging

\* Number of users who have downloaded and used Opera Mini



# Announced phones (Opera Mini) YTD: 34



## Opera Mini distribution

**To date, 9 operators have chosen Opera Mini for their portfolios**

- ❑ Telefónica Móviles (Europe & Latin America) – New in 4Q
- ❑ mobilkom austria (Europe) – New in 4Q
- ❑ TDC (Denmark) – New in Q3
- ❑ Omnitel (Lithuania) – New in Q3
- ❑ Pannon (Hungary)
- ❑ T-Mobile (Europe)
- ❑ Debitel (Europe)
- ❑ Megafon (Russia)
- ❑ GrameenPhone (Bangladesh)

This just in:



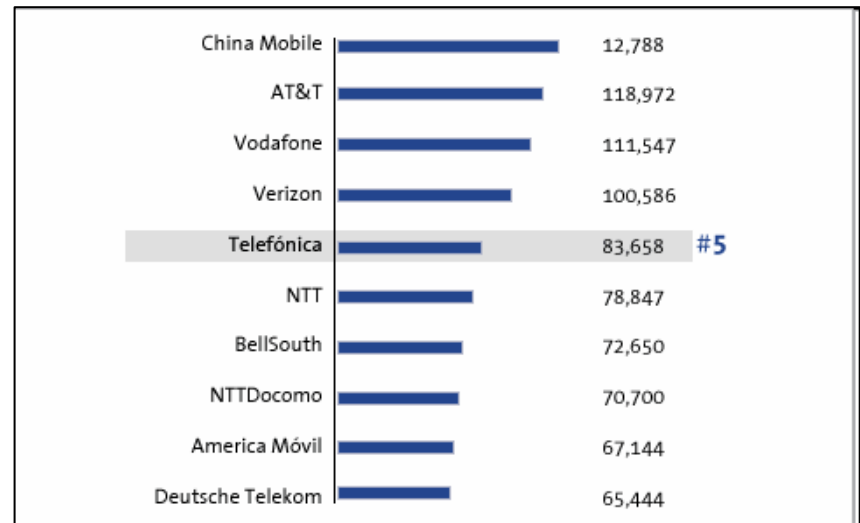
## Opera Mini goes to Spain

### Telefónica Móviles de España selects Opera Mini for its new “Navega” service

*2nd major European operator to adopt Opera Mini for major mobile Internet push*

Telefónica Móviles is a an innovative and leading operator in multiple countries

- One of the fastest growing operators in Europe and Latin America
- 101 million mobile customers worldwide
- 11% market share in Europe



Global telecom industry ranking (fixed, mobile, data) by market cap  
Source: Bloomberg, Aug 25, 2006

## *Navega* from Telefónica Móviles

A branded version of Opera Mini will be pre-installed on high-volume handsets from manufacturers such as Sony Ericsson and Nokia

Revenue model for Opera Software

- License fees based on active users
- Maintenance & Support
- Server hosting fees



# Operational Review Opera for Devices



# Opera browsers are already in a broad array of devices and the device types continue to grow



Network TVs



Web tablets



Game Consoles



Portable Media Players



Set-top Boxes



IP Screen Phones

## Opera for Devices Third Quarter Highlights

- ❑ Agreements signed with Telsey Telecommunications and Pirelli Broadband Solutions, leading manufacturers of IP set-top boxes
- ❑ Opera browser selected for ARCHOS 604 WiFi, ARCHOS's latest portable media player
- ❑ Nintendo DS Browser shipped in Japan and Europe. Sony Mylo started shipping in September



## Opera for Devices Third Quarter Highlights

- ❑ Opera broadened its footprint by making Opera 9 available for Windows CE, an increasingly popular platform for connected devices
- ❑ The company shipped Opera 9 for Devices, bringing Opera Widgets and the latest Web standard support to set-top boxes, portable media players, game consoles and other connected devices



## Nintendo Wii launched in the U.S. yesterday

**Key mission of Nintendo Wii is to broaden the market: turn non-gamers into gamers**

- ❑ Completely new and revolutionary controller and interface design
- ❑ Broader array of games
- ❑ Almost instantaneous power-up of the console

Inflection point in the market: new game consoles are launched every five or so years



## Nintendo Wii

Nintendo and Opera will introduce the full Web browser into the Wii Channel Menu following the regional releases of the Wii console. Opera for Wii will become available to Wii users to browse the Web from their consoles, though Nintendo has not set the release date for the browser at this time.



## Industry update: Set-top boxes

**Trend:** IPTV is growing. In Europe there are currently 30 deployments or trials

**Trend:** Operators are moving towards high-end set-top boxes – e.g. featuring PVR, MPEG4 and full Web browser

**Trend:** End-users want the full Web, not walled garden content

**Trend:** Faster time-to-market. Using Opera's technology to power user interfaces, not just full Web browsing helps speed up time-to-market because no native code development is required



# Operational Review Opera for Desktop



## Opera steps up marketing efforts in the U.S.

### Media interviews last four months:

USA Today, Wall Street Journal, BusinessWeek, PC World, Washington Post, New York Times, Forbes, eWeek, San Jose Mercury News, Seattle Times, InfoWorld, Popular Science, RCR Wireless, Laptop, Computerworld, and more

### U.S. events last four months:

VON 2006, Ajax World, WebmasterWorld, Smartphone Summit, World Handset Forum, TelcoTV Conference, Mobile Monday, Ajax Experience, and more

### On a global level - snapshots:

- Arranged Opera Backstage user events in UK and Russia
- Users have created more than 800 widgets



The screenshot shows the Forbes.com website interface. At the top, there is a search bar with the text "Forbes.com Web Stocks &". Below the search bar, there are navigation tabs for "U.S.", "EUROPE", and "ASIA". The main navigation bar includes "HOME", "BUSINESS", "TECH", "MARKETS", "ENTREPRENEURS", and "LEADERSHI". Below this, there are sub-navigation links: "CIO Network", "Digital Media", "Enterprise", "Imaging", and "Intelligent Infrastructure". A secondary navigation bar contains links for "E-mail", "Print", "Comments", "Request Reprints", "E-Mail Newsletters", "My Yahoo!", and "RSS". The main content area features a sponsored section for "Intelligent Infrastructure" by VeriSign, with the headline "Opera Everywhere" and a sub-headline "Dan Frommer, 11.09.06, 6:00 AM ET". Below this is a profile for Jon S. von Tetzchner, Opera Software chief, with a photo and a quote: "Browsing the Web on a computer is so 1996. On your videogame console--or on your fridge? Now that's cool." The article text continues: "Opera Software chief Jon S. von Tetzchner's Web browser, popular with many hardcore computer users, hasn't taken over the industry. The Norwegian company's browser has been around for 12 years but has just 1.5% of the market. Compared to Microsoft's (nasdaq: MSFT - news - people) Internet Explorer, or

## Opera for Desktop Third Quarter Highlights

- ❑ Sequential revenue growth for the first time since 4Q05. Revenue grew 38% in 3Q06 versus 2Q06
- ❑ Search revenue up in 3Q vs. 3Q05 and 2Q06
- ❑ Opera renewed agreement with Adobe. As a result, Opera's standards-based rendering engine will continue to be included on a range of Adobe products for creative professionals. The deal includes software licenses, maintenance fees, and professional services
- ❑ Opera's user community site, My Opera, more than doubled in size over last 12 months, to 550,000 members



*Opera CEO holds keynote at WebmasterWorld in Las Vegas, Nov 14, 2006*

## Opera establishes office in Poland

- On Nov 1st, Opera established an office in Poland
- 23 highly skilled software engineers are ready to deliver from day one

The Polish office will focus on:

- Porting Opera Mobile and Opera Mini to BREW handsets in the Americas
- Serving BREW customers worldwide
- Delivering Opera on the Linux platform to device manufacturers globally



*You are invited...*

**To Opera Software's Capital Markets Day**

**Tuesday, December 12, 2006**

**13:00 - 17:00 at Opera Software**

**Waldemar Thranes gate 98, Oslo**

Learn more about Opera's business strategy, plans for growth and predictions for future development, plus hands-on demos of Opera's exciting new products.

**R.S.V.P. to Tor Odland at [toro@opera.com](mailto:toro@opera.com)**



# Q&A