

# Opera Software

First quarter 2008



The best Internet experience on any device



# OPERA SOFTWARE ASA – FIRST QUARTER 2008

Opera delivered revenues of MNOK 102.7 in 1Q08, up 57% versus 1Q07, and an EBIT of MNOK 9.6, driven by strong growth in both the Internet Devices and Desktop segments.

## Highlights

Revenues of MNOK 102.7 in 1Q08, up from MNOK 65.4 in 1Q07, an increase of 57%. EBIT was MNOK 9.6 in 1Q08 compared to MNOK -9.0 in 1Q07. EBITDA in 1Q08 was MNOK 11.6, and EBITDA, excluding stock options costs, was MNOK 15.6.

### Business area

- Revenue from Internet Devices rose to MNOK 79.6 in 1Q08 compared to MNOK 50.6 in 1Q07, an increase of 57%, powered by strong growth in the mobile area.
- 3 new mobile phones that include the Opera Mobile browser pre-installed were announced in 1Q08.
- HTC selected Opera Mobile 9 as the browser for upcoming devices and became the first OEM to announce its plans to ship with Opera 9.
- The number of mobile phones shipped with the Opera browser was 10.5 million in 1Q08, compared to 10.5 million units in 1Q07.
- Opera announced that it will ship on the Motorola Z10 and the Sony Ericsson G700 and G900.
- Opera announced the web on the World's first mobile Wimax gaming device for Korea-based Posbro.

### Consumer area

- Revenues from the Desktop segment increased 56% in 1Q08 compared to 1Q07, as global usage continues to grow.
- Growth in global usage of Opera Mini continues. As of March 31, 2008, since launch, more than 44 million people have downloaded and used Opera Mini to surf 19.8 billion Web pages, generating strong data traffic, and therefore revenues, for mobile operators worldwide.
- For the month of March, 11.9 million unique users worldwide used Opera Mini to browse the Web.
- Opera selected Google as the default search partner for Opera Mini in all countries except Russia and the former CIS nations.
- The number of registered My Opera users grew to over 1.3 million by the end of March, up 12% from end of 2007.

## Financials

### Revenues

Revenue in 1Q08 was MNOK 102.7, up 57% from 1Q07, when revenue was MNOK 65.4. Revenue growth in the quarter was driven by attractive growth across both business segments.

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

### Operating costs

Total operating costs for 1Q08 were MNOK 93.1 compared to MNOK 74.4 in 1Q07, an increase of 25%.

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

Total payroll and related expenses, excluding stock option costs, were MNOK 66.0 in 1Q08 compared to MNOK 53.5 in 1Q07, an increase of 23%. This increase was due primarily to higher headcount in engineering and sales and marketing globally.

Stock option costs: Total stock option costs for 1Q08 were MNOK 4.0 compared to MNOK 1.6 in 1Q07.

Other operating expenses: Other operating expenses in 1Q08 were MNOK 21.1 compared to MNOK 17.7 in 1Q07, an increase of 19%.

### EBIT

EBIT was MNOK 9.6 in 1Q08 compared to MNOK -9.0 in 1Q07. EBIT, excluding stock option costs, was MNOK 13.6 in 1Q08 versus MNOK -7.4 in 1Q07. EBITDA in 1Q08 was MNOK 11.6 compared with MNOK -7.4 in 1Q07. EBITDA, excluding stock options costs, was MNOK 15.6 compared with MNOK -5.8 in 1Q07.

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

Interest income was MNOK 4.5 in 1Q08 versus MNOK 3.6 in 1Q07. Opera had a foreign exchange loss of MNOK 3.4 in 1Q08 compared to loss of MNOK 1.5 in 1Q07.

### Net income

Net income was MNOK 7.8 in 1Q08 compared to MNOK -8.0 in 1Q07. EPS and fully diluted EPS were 0.07 and 0.07, respectively, in 1Q08, compared to -0.07 and -0.07 respectively, in 1Q07.

### Liquidity and capital resources

The Company's net cash flow from operating activities was MNOK 34.4 in 1Q08 compared to MNOK 0.8 in 1Q07. In 1Q08, Opera repurchased 733,000 shares for MNOK 10.1 as part of an up to 3 million share repurchase program announced on March 3, 2008 by the Board of Directors. The purpose of this program is to minimize dilution for existing shareholders resulting from the exercise of employee and Board stock options.

Cash: Cash and cash equivalents at the end of 1Q08 were MNOK 486.9, compared to MNOK 423.9 in 1Q07, an increase of MNOK 63.0.

Organization: At the end of 1Q08, the Company had 510 full-time employees and equivalents compared to 387 at the end of 1Q07.

## 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 2008, 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 79.6 in 1Q08 compared to MNOK 50.6 in 1Q07, an increase of 57%, powered by strong growth in the mobile segment.

In 1Q08, Opera announced that it will ship on the Motorola Z10 and the Sony Ericsson G700 and G900. All three phones run on the UiQ operating system, an OS jointly owned by Sony Ericsson and Motorola and serving mid-to-high end mobile devices.

### Opera Mobile

Shipped on millions of devices from major mobile phone manufacturers and operators worldwide, the

#### **New handsets featuring Opera Mobile, 1Q08**

Sony Ericsson G700  
Sony Ericsson G900  
MOTO Z10

# OPERA SOFTWARE ASA – FIRST QUARTER 2008

Opera delivered revenues of MNOK 102.7 in 1Q08, up 57% versus 1Q07, and an EBIT of MNOK 9.6, driven by strong growth in both the Internet Devices and Desktop segments.

Opera browser lets everyone surf the full Web on their mobile phones.

Revenues from Opera Mobile expanded in the first quarter due in particular from higher delivery services revenue from certain key mobile OEM and operator customers.

In the quarter, Opera announced 3 new phones with Opera Mobile pre-installed and 26 new phones pre-installed with Opera Mini.

## Opera Mini

### *Business*

Opera has comprehensive licensing and services deals with 8 major operators - T-Mobile International (used by more than one million subscribers in 8 of 11 European subsidiaries), Vodafone D2, Telefónica Móviles de España, PTC/era (Poland), TMN (Portugal), Tata Teleservices (India), and, most recently, O2 Germany and Debitel - all using an operator-branded version of the Opera Mini browser as part of their Web-enabled handset portfolios.

Opera's revenue sources from these agreements include license/royalty, delivery services, hosting services, and maintenance and support. Since launch through 1Q08, Opera has signed distribution deals for the Opera-branded Opera Mini browser with 14 mobile operators, including Helio (USA) in 1Q08 for the Helio Ocean device.

### *Consumer*

As of March 31, 2008, since launch, more than 44 million people have downloaded and used Opera Mini on their mobile phones and browsed 19.8 billion Web pages. In March, 11.9 million unique active users worldwide browsed the Web using Opera Mini.

Opera's primary revenue generator for the Opera-branded version of Opera Mini is search. In 1Q08, Opera selected Google as the default search partner for Opera Mini in all countries except Russia and the former CIS nations.

Although Opera expects search to provide the vast majority of revenue in the short- to medium- term for the Opera branded version of Opera Mini, the Company is actively developing other ways of increasing ARPU for its growing user base. In 1Q08, for example, Opera announced a partnership with Greystripe, a USA-based company that provides free mobile games. Under this agreement, Opera shares in the mobile advertising revenue generated from playing Greystripe games. Since launch, more than 3 million games have been downloaded, demonstrating the strength of Opera Mini as a distribution channel for mobile content and applications.

While Opera.com continues to be the primary channel for distributing the Opera branded version of Opera Mini, Opera has also focused on distribution via direct agreements with mobile OEMs. Opera has such distribution deals with Nokia, Sony Ericsson, Sagem and, most recently, Spice Mobile, one of India's leading handset manufacturers.

## Opera Devices

Opera has driven new innovation 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.

In 1Q08, Opera announced that the Opera mobile browser will be on the world's first mobile Wimax gaming device for Korea-based Posbro. The POSBRO G100 takes advantage of the high data speeds offered by WiMax (4G) to deliver online gaming from a portable device. POSBRO is using the Opera 9 for Devices SDK to create a compelling Web experience for people using the G100 device.

## **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 56% in 1Q08 to MNOK 23.1, compared to MNOK 14.8 in 1Q07.

The marked increase in Desktop revenue in 1Q08 compared to 1Q07 is largely attributable to an increase in users and stronger revenue streams leading to higher average revenue per user.

## **Outlook**

Opera is positive about the Company's short and 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. Opera also expects to see increased revenue streams for the Opera-branded version of Opera Mini in FY2008 compared to FY2007, as usage expands and as revenue and business models evolve further in the mobile Internet space.

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

Opera's key operational priorities in FY2008 include (i) focusing and investing in a more aggressive manner in the Consumer area (Desktop, Opera-branded 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 FY2008 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.

Oslo, May 30, 2008  
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	Q1 2008	Q1 2007	% Increase	YTD 2008	YTD 2007	% Increase	FY 2007
Desktop	23 147	14 839	56 %	23 147	14 839	56 %	67 057
Internet Devices	79 558	50 557	57 %	79 558	50 557	57 %	248 408
<b>Total Revenue</b>	<b>102 705</b>	<b>65 396</b>	<b>57 %</b>	<b>102 705</b>	<b>65 396</b>	<b>57 %</b>	<b>315 466</b>
Payroll and related expenses, excluding stock option costs	65 973	53 453	23 %	65 973	53 453	23 %	215 072
Stock option costs	3 978	1 594	150 %	3 978	1 594	150 %	8 370
Depreciation and amortization	1 963	1 581	24 %	1 963	1 581	24 %	6 496
Other operating expenses	21 142	17 749	19 %	21 142	17 749	19 %	74 640
<b>Total Expenses</b>	<b>93 056</b>	<b>74 377</b>	<b>25 %</b>	<b>93 056</b>	<b>74 377</b>	<b>25 %</b>	<b>304 578</b>
<b>Earnings Before Interest and Taxes ("EBIT")</b>	<b>9 649</b>	<b>-8 981</b>		<b>9 649</b>	<b>-8 981</b>		<b>10 887</b>
Interest income	4 521	3 581		4 521	3 581		18 051
FX gains/losses (negative amount = losses)	-3 356	-1 529		-3 356	-1 529		-7 417
<b>Earnings Before Taxes ("EBT")</b>	<b>10 814</b>	<b>-6 929</b>		<b>10 814</b>	<b>-6 929</b>		<b>21 521</b>
Provision for Taxes	-3 028	-1 071		-3 028	-1 071		-9 053
<b>Net Income</b>	<b>7 786</b>	<b>-8 000</b>		<b>7 786</b>	<b>-8 000</b>		<b>12 468</b>
Earnings Per Share	0,065	(0,068)		0,065	(0,068)		0,105
Earnings Per Share, Fully Diluted	0,065	(0,068)		0,065	(0,068)		0,104
Shares used in per share calculation (mm)	118 986 804	117 428 246		118 986 804	117 428 246		118 283 045
Shares used in per share calculation, Fully Diluted (mm)	119 451 874	127 302 246		119 451 874	127 302 246		119 926 679
Number of Employees	510	387		510	387		462

HISTORICAL SUMMARY: LAST 6 QUARTERS	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
<u>Revenue ('1000s of NOK)</u>						
Desktop	23 147	19 293	17 343	15 582	14 839	12 850
Internet Devices	79 558	73 692	64 442	59 716	50 558	47 704
<b>Total Revenue</b>	<b>102 705</b>	<b>92 985</b>	<b>81 785</b>	<b>75 298</b>	<b>65 397</b>	<b>60 554</b>
<u>Revenue (% Growth)</u>						
Desktop	20 %	11 %	11 %	5 %	15 %	58 %
Internet Devices	8 %	14 %	8 %	18 %	6 %	6 %
<b>Total Revenue</b>	<b>10 %</b>	<b>14 %</b>	<b>9 %</b>	<b>15 %</b>	<b>8 %</b>	<b>14 %</b>
<u>Revenue (% of Total Revenue)</u>						
Desktop	23 %	21 %	21 %	21 %	23 %	21 %
Internet Devices	77 %	79 %	79 %	79 %	77 %	79 %
EBIT	9 649	9 360	8 015	2 492	-8 981	-15 690
EBIT, excluding stock option costs	13 627	10 426	10 290	5 927	-7 387	-13 616
EBITDA	11 612	11 095	9 674	4 013	-7 400	-14 295
EBITDA, excluding stock option costs	15 590	12 161	11 950	7 448	-5 806	-12 220
EPS	0,065	0,120	0,039	0,019	(0,068)	(0,109)
EPS, Fully Diluted	0,065	0,118	0,037	0,017	(0,068)	(0,109)



## CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

BALANCE SHEET	Q1 2008	Q4 2007	Q1 2007	FY 2007	
Deferred tax asset	9 370	9 724	11 684	9 724	
Goodwill	3 143	3 143	3 143	3 143	
Office machinery, equipment etc., Net	20 424	17 832	24 023	17 832	
Other investments and deposits	4 651	4 541	0	4 541	
Accounts receivables	48 173	65 249	69 327	65 249	
Unbilled revenue	47 848	40 700	32 145	40 700	
Other receivables	3 813	5 728	3 951	5 728	
Cash and cash equivalents	486 860	466 813	423 869	466 813	
<b>Total Assets</b>	<b>624 282</b>	<b>613 730</b>	<b>568 141</b>	<b>613 730</b>	
Account payable	6 451	7 227	2 272	7 227	
Taxes payable	346	2 443	-62	2 443	
Social security, VAT and other taxation payable	11 123	9 418	9 476	9 418	
Deferred revenue	28 591	26 635	33 762	26 635	
Other short-term liabilities	42 882	35 838	28 783	35 838	
<b>Total Liabilities</b>	<b>89 393</b>	<b>81 562</b>	<b>74 231</b>	<b>81 562</b>	
Share capital	2 392	2 391	2 349	2 391	
Own shares	-15	0	0	0	
Share premium reserve	457 248	456 973	434 262	456 973	
Other reserves	25 217	21 977	10 417	21 977	
Retained earnings/other equity	50 047	50 827	46 883	50 827	
<b>Total Equity</b>	<b>534 889</b>	<b>532 168</b>	<b>493 911</b>	<b>532 168</b>	
<b>Total Liabilities and Equity</b>	<b>624 282</b>	<b>613 730</b>	<b>568 141</b>	<b>613 730</b>	
<b>EQUITY STATEMENT</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>YTD 2008</b>	<b>YTD 2007</b>	<b>FY 2007</b>
Opening balance	532 168	514 593	532 168	499 470	499 470
Net profit/(loss)	7 786	14 305	7 786	-8 000	12 468
Equity share issue	0	695	0	573	12 710
Options	3 220	1 790	0	1 969	8 992
Own shares	-10 050	0	0	0	0
Other	1 765	785	1 765	-100	-1 472
<b>Closing Balance</b>	<b>534 889</b>	<b>532 168</b>	<b>534 889</b>	<b>493 911</b>	<b>532 168</b>

## CONSOLIDATED BALANCE SHEET AND CASH FLOW STATEMENT

(In thousands of NOK, except per share amounts)

(Unaudited)

CASH FLOW STATEMENT	Q1 2008	Q4 2007	YTD 2008	YTD 2007	FY 2007
<b>Cash flow from operating activities</b>					
Profit/loss before taxes	10 814	16 665	10 814	-6 929	21 521
Taxes paid	-3 469	-1 444	-3 469	-3 050	-7 155
Depreciation expense	1 963	1 735	1 963	1 581	6 496
Impairment of shares	0	0	0	0	500
Changes in accounts receivable *)	9 915	-36 633	9 915	-2 664	-7 141
Changes in accounts payable	-750	1 842	-750	-4 276	679
Changes in other liabilities, net	12 681	24 579	12 681	14 652	13 418
Share-based remuneration	3 222	1 790	3 222	1 969	8 992
Conversion discrepancy	34	-408	34	-459	-1 289
<b>Net cash flow from operating activities</b>	<b>34 410</b>	<b>8 127</b>	<b>34 410</b>	<b>823</b>	<b>36 021</b>
<b>Cash flow from investment activities</b>					
Acquisition of tangible fixed assets	-4 589	-1 729	-4 589	-1 525	-5 874
Acquisition of shares	0	500	0	-500	-500
<b>Net cash flow from investment activities</b>	<b>-4 589</b>	<b>-1 229</b>	<b>-4 589</b>	<b>-2 025</b>	<b>-6 374</b>
<b>Cash flow from financing activities</b>					
Proceeds from exercise of stock options, warrants	276	-695	276	573	12 668
Proceeds of Share Issues, net	-10 050	0	-10 050	0	0
<b>Net cash flow from financing activities</b>	<b>-9 774</b>	<b>-695</b>	<b>-9 774</b>	<b>573</b>	<b>12 668</b>
<b>Net change in cash and cash equivalents**</b>	<b>20 047</b>	<b>6 204</b>	<b>20 047</b>	<b>-629</b>	<b>42 315</b>
Cash and cash equivalents **)	466 813	460 609	466 813	424 497	424 498
<b>Cash and cash equivalents</b>	<b>486 860</b>	<b>466 813</b>	<b>486 860</b>	<b>423 869</b>	<b>466 813</b>

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

\*\*)Cash and cash equivalents of NOK 7 285K are restricted assets as of March 31st, 2008. Cash and cash equivalents of NOK 7 962K are restricted assets as of December 31st, 2007, and NOK 2 786 are restricted assets as per March 31st, 2007.

Note: The financial figures have been prepared based upon the management's interpretation of the current International Financial Reporting Standards (IFRS).

**Disclosure:****NOTE 1: CORPORATE INFORMATION**

Opera Software ASA is a company domiciled in Norway. The consolidated financial statements of the Company for the first quarter of 2008 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 Q1 2008, Opera Software International AS had branch offices in Japan, the USA, Poland, Czech Republic 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 December 31st, 2007. The same accounting principles as in the annual report for 2007 are used in the quarterly report.

**NOTE 3: EARNINGS PER SHARE**

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

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: NUMBER OF FULLY DILUTED SHARES CALCULATION**

Net result	<b>7 785 790</b>
Time average of outstanding shares 1)	<b>118 986 804</b>
Earnings pr. share	<u><u><b>0,065</b></u></u>
Equity diluted earnings per share	<u><u><b>0,065</b></u></u>

**Basic earnings per share**

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the periode.

1) Calculation of average number of shares	
Number of shares outstanding as of January 1	119 542 246
Share issue 8 March (298 days)	26 564
Own shares 36,0000 on 12 March (294 days)	-28 997
Own shares 300,0000 on 14 March (292 days)	-240 000
Own shares 200,000 on 17 March (289 days)	-158 356
Own shares 196,000 on 18 March (288 days)	-154 652
Average number of shares	<u>118 986 804</u>
The following equity instruments has diluting effect	
Options	6 886 992
Warrants	<u>0</u>
Total	6 886 992

The options have varying exercise prices and would, upon exercise, mean payment into the Company of NOK 90 977M as of March 31st, 2008. In relation to the accounting standard regarding earnings per share, the effect of these funds being used by the Company to purchase shares in the market should be considered when calculating the fully diluted number of shares outstanding. The average price in the period is used when calculating the fully diluted number of shares. The average price is calculated to be 14.35 in Q1 2008.

Options and warrants	6 886 992
Number of bought shares (NOK 90 977K/14.35)	<u>6 339 851</u>
Number of shares with diluting effect	547 141
Expected options to be exercised	465 070