



OPERA SOFTWARE

**QUARTERLY REPORT
SECOND QUARTER 2014**



About Opera Software

Opera Software crafts products and services that connect 350 million people to the internet. More than 130 operators around the world choose to work with us to give their customers the best web experience. Our mobile advertising platform enables publishers to monetize their content and allows brands to reach a global audience of more than 800 million consumers.

Learn more about Opera at www.opera.com

2Q 2014 Financial Highlights

Financial metric		2Q14 (MUSD)	2Q13 (MUSD)
Revenue	Total revenue	100.6	73.1
Profitability	Adj. EBITDA*	27.0	21.7

- Revenue growth of 38%
- Record revenue and profit
- Strong revenue growth from Opera Mediaworks

*Non-IFRS EBITDA excludes stock-based compensation expenses, extraordinary/one-time costs and acquisition related costs.

Financial review

Erik Carson Harrell
CFO / CSO, Opera Software

A note from our lawyers

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Financial Highlights 2Q14

Financial metric		2Q14 (MUSD)	2Q13 (MUSD)
Revenue	Total revenue	100.6	73.1
Profitability	Adj. EBITDA*	27.0	21.7
Cash generation	Operating Cash Flow	4.7	11.1
	Free Cash Flow**	0.1	10.1

*Non-IFRS EBITDA excludes stock-based compensation expenses, extraordinary/one-time costs and acquisition related costs.

** Operating Cash Flow less capital expenditures

2Q14 Actuals versus Guidance

	2Q 2014 Actuals	2Q 2014 Midpoint Guidance*
Revenue	MUSD 100.6	MUSD 97.0
Adj EBITDA**	MUSD 27.0	MUSD 25.5

*Provided at 1Q14 Presentation (April 30th, 2014)

** Non-IFRS EBITDA excludes stock-based compensation expenses, extraordinary/one-time costs and acquisition related costs.

2Q14 Financial Review

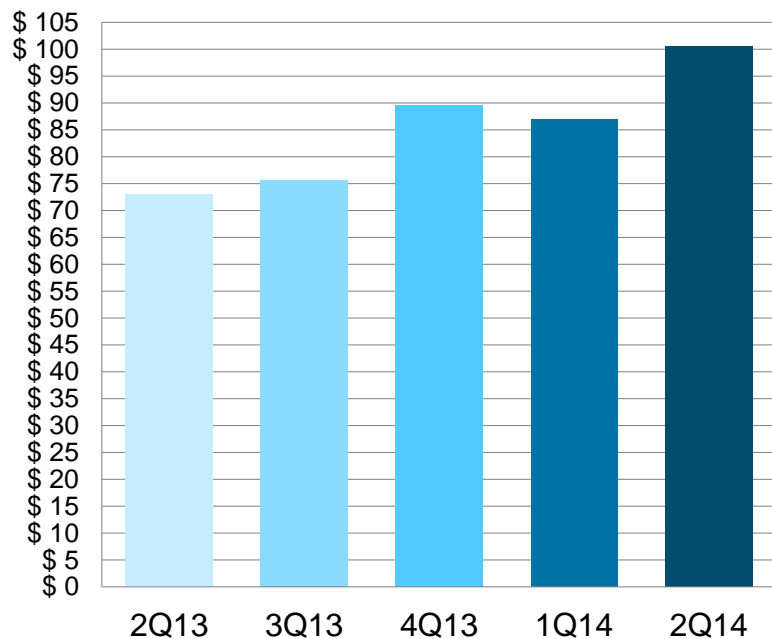
MUSD	2Q14	2Q13	Q on Q
Revenue	100.6	73.1	38%
Cost of Goods sold-	23.4	13.7	71%
Payroll and related expenses -	33.0	25.3	30%
Stock-based compensation expenses-	2.1	1.0	108%
Depreciation and amortization -	6.9	5.5	25%
Other operating expenses -	17.2	12.5	38%
Total expenses =	82.6	58.0	42%
Adjusted EBITDA*	27.0	21.7	24%
EBIT**	18.0	15.2	18%
Net Income	9.5	6.1	
EPS (USD)	0.071	0.051	
Non- IFRS Net Income	17.5	15.1	
Non- IFRS EPS (USD)**	0.132	0.125	

* Non-IFRS EBITDA excludes stock-based compensation expenses, extraordinary/one-time costs and acquisition related costs

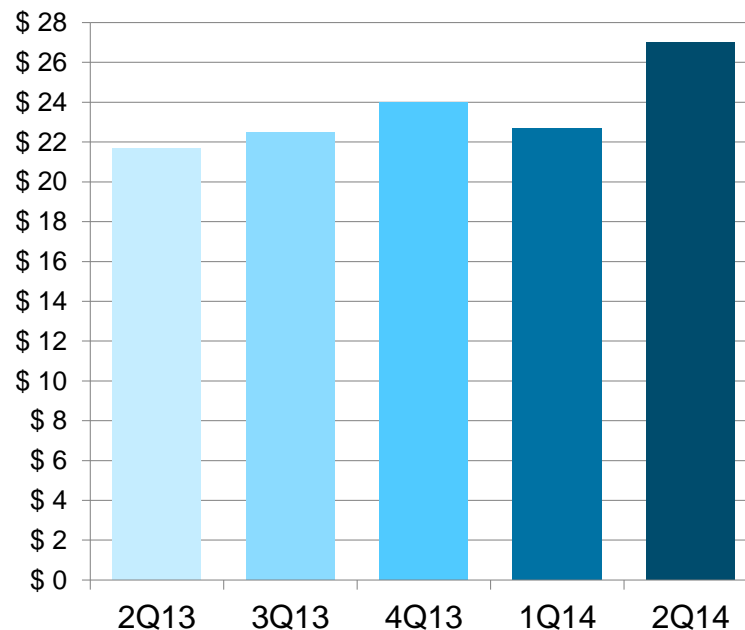
** Excludes one-time extraordinary costs

Financial Highlights: 2Q13 – 2Q14

Revenue (MUSD)



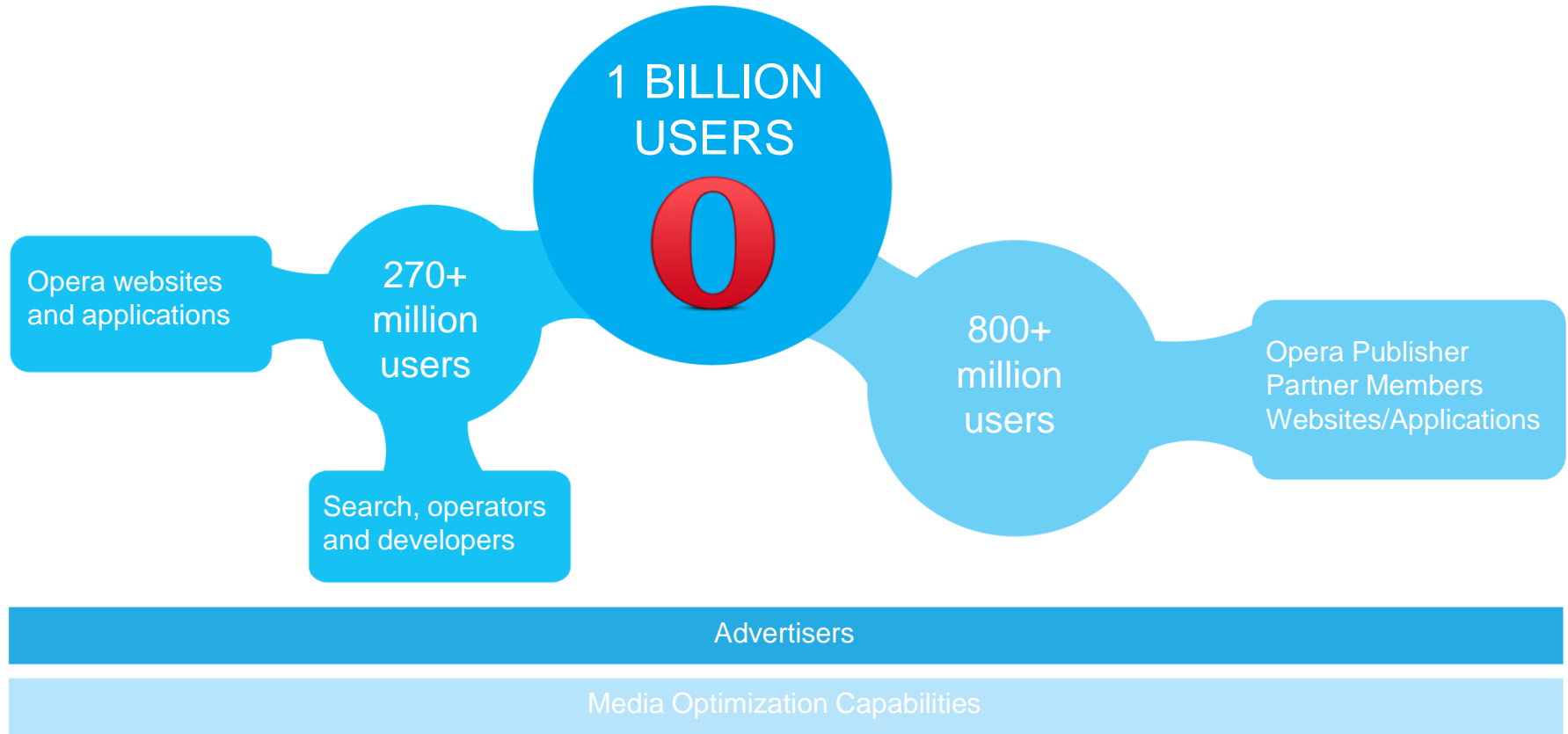
Adjusted EBITDA* (MUSD)



* Non-IFRS EBITDA excludes stock-based compensation expenses, extraordinary/one-time costs and acquisition related costs.

Opera helps partners reach its massive mobile audience

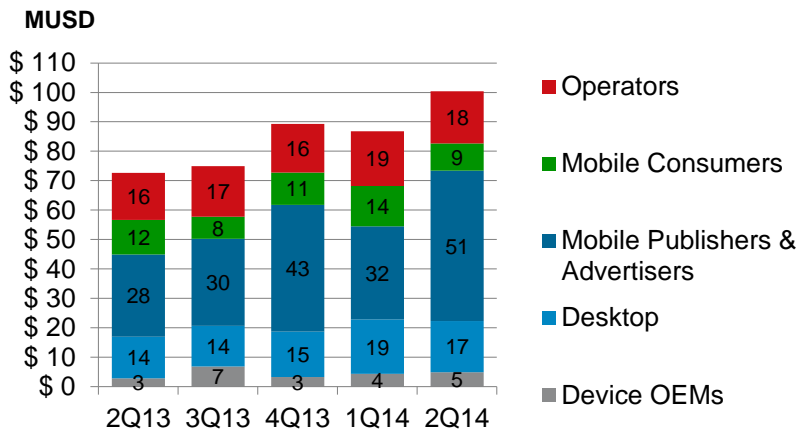
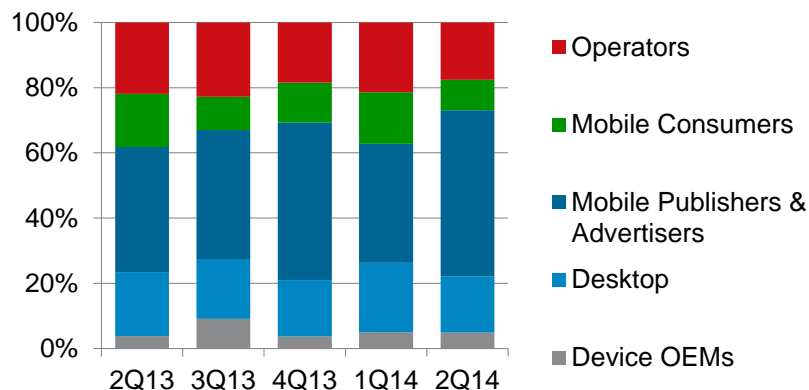
Opera Powers the Mobile Internet and App Economy



Revenue: Customer Type 2Q14

Overall revenue above expectations

Customer Type	
Operators	In line with expectations
Mobile Consumers – Opera Owned and Operated Properties	In line with expectations
Mobile Publishers & Advertisers – Opera Publisher Partner Members	Above expectations
Desktop Consumers	In line with expectations
Device OEMs	In line with expectations



Revenue: Operators 2Q14

Operator revenue in line with expectations

Cloud based Operator Data/License revenue up 11% to MUSD 16.5

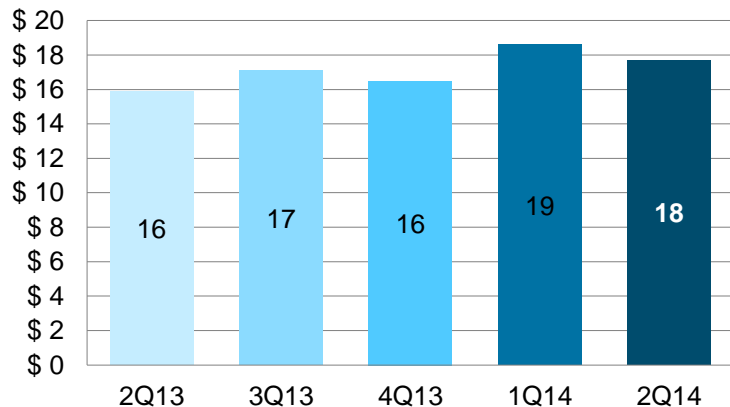
Key license revenue components: Opera Mini Operator co-brands, Rocket Optimizer and Opera Max

Overall revenue growth: Up 12% versus 2Q13, driven by Cloud based Operator Data/License revenue

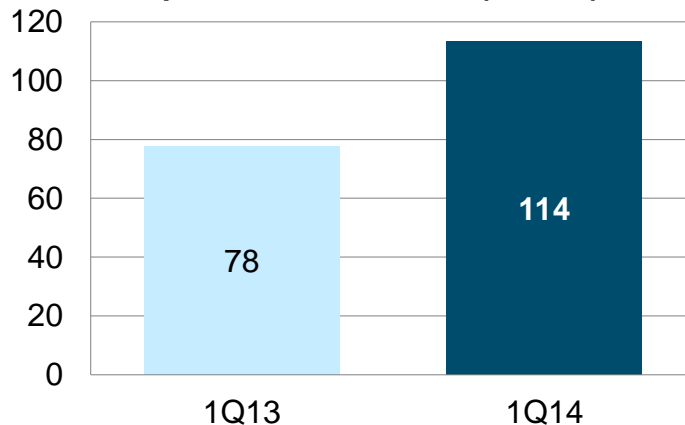
46% Operator active user growth June 2014 vs. June 2013

User growth driven by Airtel, MTN, Telenor, Vimpelcom and Vodafone in particular

MUSD Operator Revenue total*



Operator Cloud Users (Million)**



* Unaudited

** Operator Opera Mini users and Operator Horizon users

Revenue: Mobile Consumers – Opera Owned and Operated Properties 2Q14

Mobile Consumer revenue in line with expectations

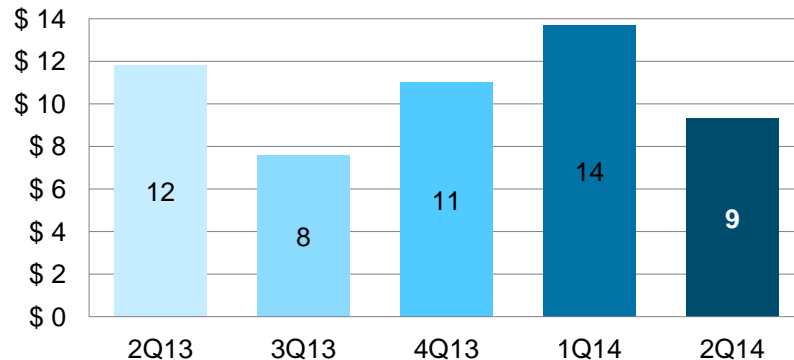
Revenue driven primarily by mobile advertising offset by less licensing revenue

270.8M users by end of 2Q14, up 8% compared to end of 2Q13

31.4b ad requests from owned & operated properties in 2Q14, up 52% versus 2Q13. Opera users of the Smartpage and Discover page increased to 64.8 million users by the end of 2Q14, up from 39.6 Million in 2Q13. Downloads from the Opera Mobile Store in 2Q14 reached 137 million, up 16% compared to 2Q13 (Android downloads up 115% in 2Q14 vs. 2Q13)

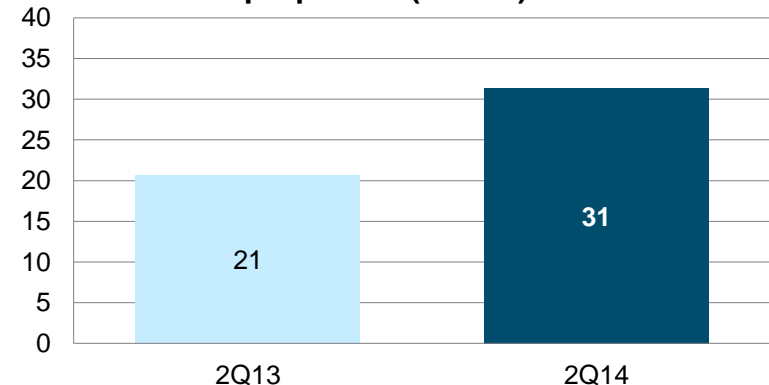
Revenue growth: -21% versus 2Q13

Mobile Consumers – Opera Owned and Operated Properties* (MUSD)



* Unaudited

Ad requests from owned & operated properties (Billion)



Revenue: Mobile Publishers & Advertisers – Opera Publisher Partner Members 2Q14

Mobile Publisher & Advertiser revenue above expectations

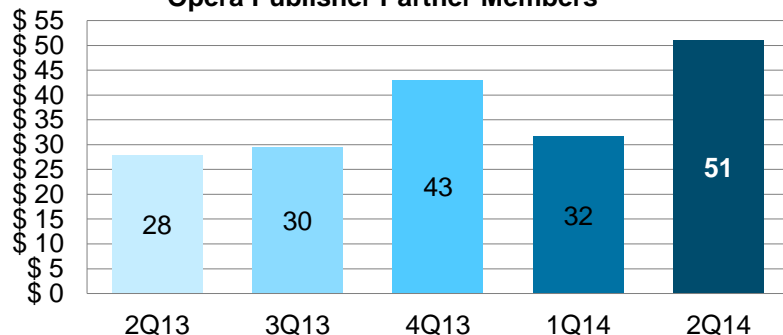
Revenue growth driven by both premium advertisers, including Google, Home Depot, Kellogg's, McDonald's, Microsoft, Samsung, Toyota, Walmart and Wells Fargo, as well as performance advertisers such as King.com and Spotify.

AdMarvel platform managed 187b ad impressions in 2Q14, up 9% vs. 2Q13

17,000+ websites and applications enabled in 2Q14, up from 13,000+ in 2Q13 and total reach of 800m+ (excluding O&O) in 2Q14 up from 350m+ in 2Q13

Revenue growth: 83% versus 2Q13

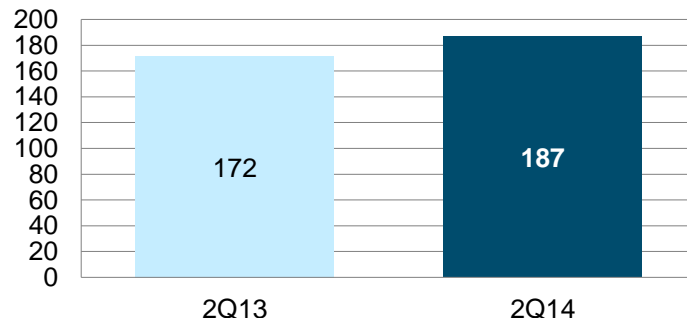
**MUSD Mobile Publishers & Advertisers
Opera Publisher Partner Members***



*Unaudited

** Includes Opera's O&O ad impressions

AdMarvel managed ad impressions (Billion)**



Revenue: Desktop Consumers 2Q14

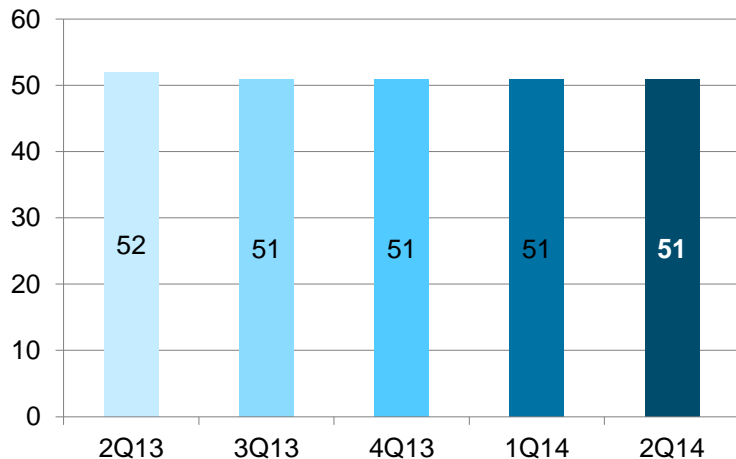
Desktop revenue in line with expectations

Solid ARPU with lower search revenue offset by higher advertising and licensing revenue

Desktop users at 51 million, down 2% versus 2Q13

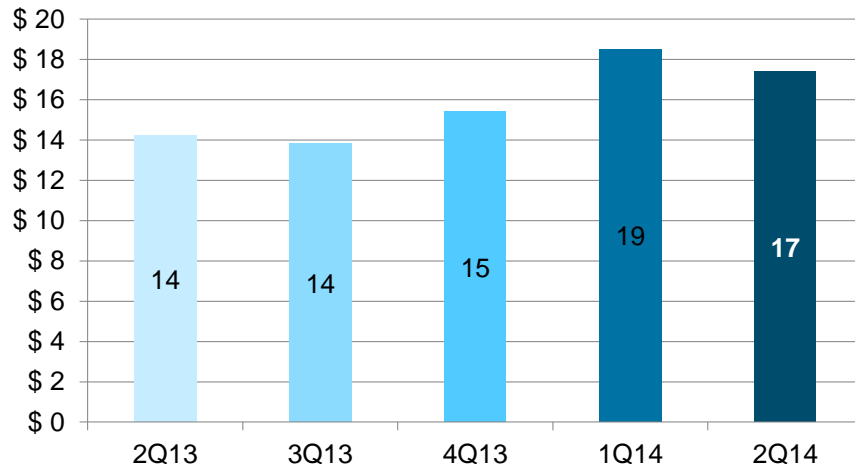
Overall revenue growth: 23% versus 2Q13

Monthly Desktop users* (last month of quarter)



* Unaudited.

Desktop revenue* (MUSD)



Revenue: Device OEMs 2Q14

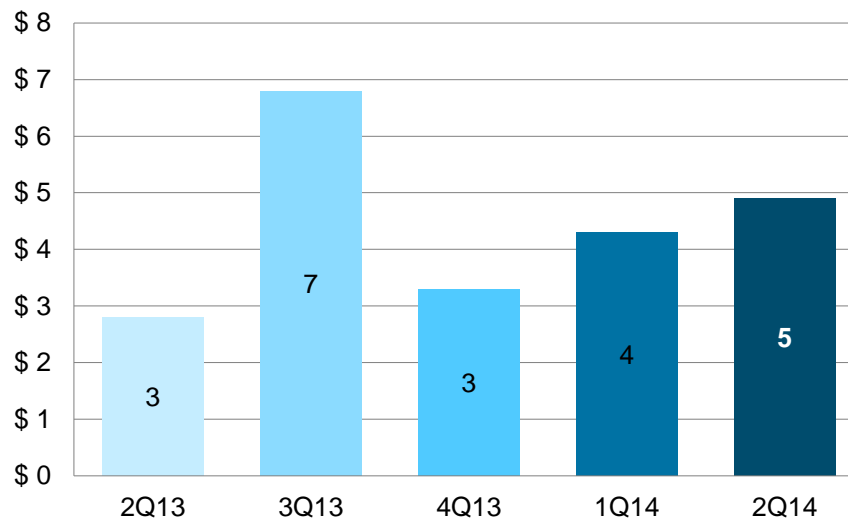
Device OEM revenue in line with expectations

Revenue driven by Connected TV customers

License revenue: ~65% of revenue

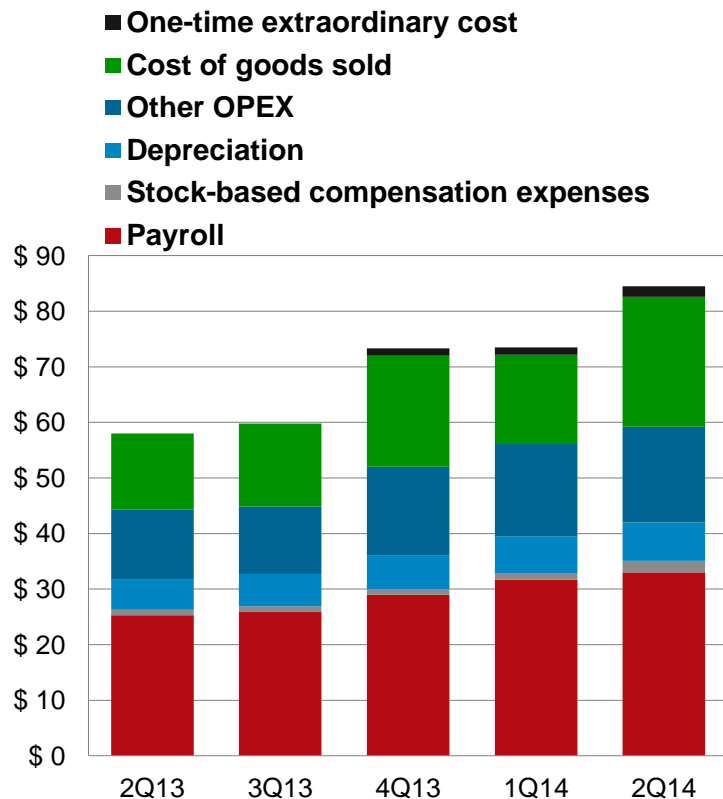
Overall revenue growth: 74% versus 2Q13

MUSD Device OEM revenue*



* Unaudited

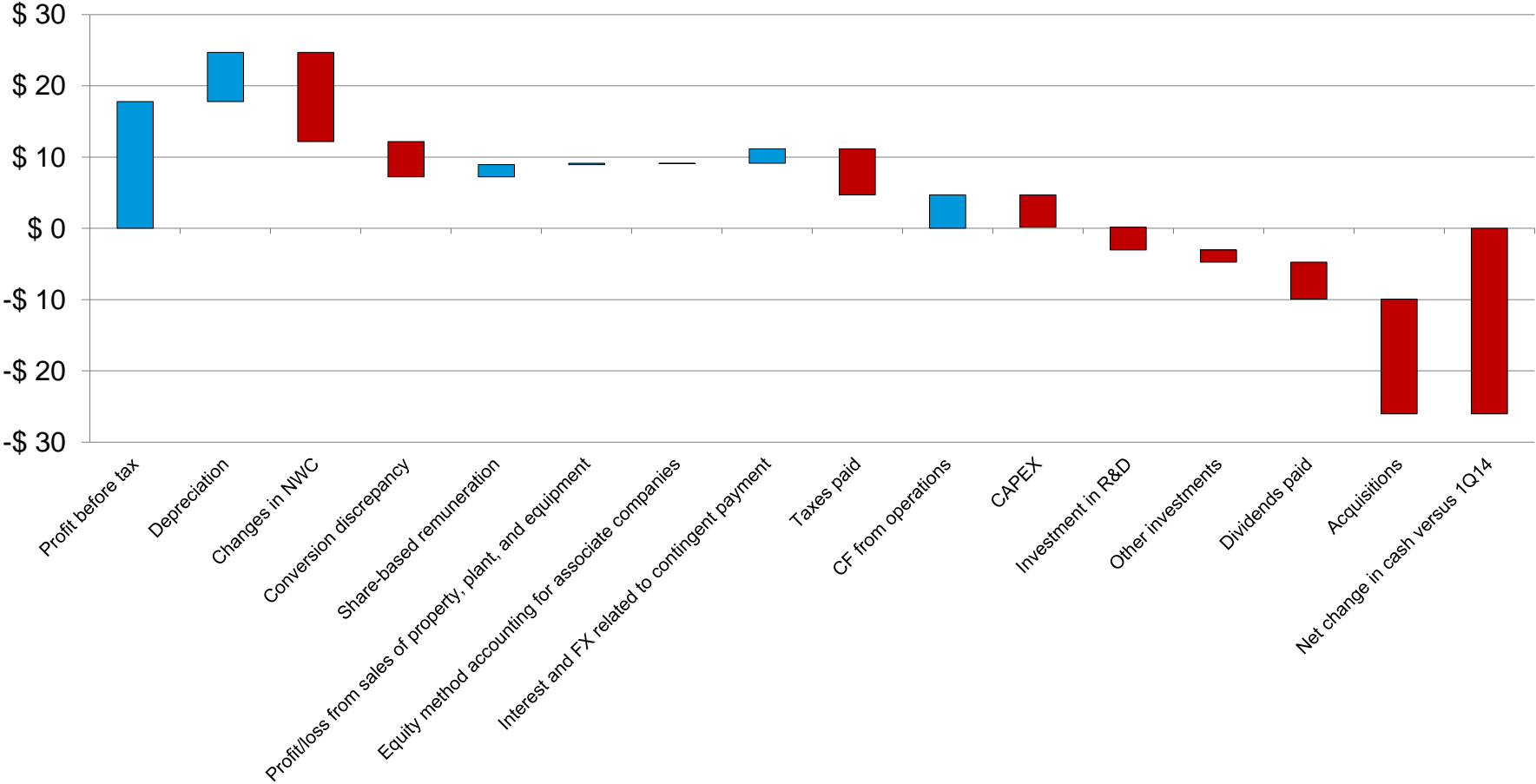
OPEX Development (MUSD)



Cost line	2Q14 vs. 2Q13	Comments
Payroll	30%	Higher headcount
Cost of Goods Sold	71%	Driven by 83% growth in Mobile Publisher and Advertiser revenue COGS or Publisher Cost related to Mobile Publisher & Advertiser business
Other OPEX	38%	Hosting costs, marketing and travel expenses key drivers
Depreciation & Amortization	25%	Higher investments in Opera Mini server infrastructure and depreciation on intangible assets related to acquisitions
Stock-based compensation expenses	108%	Stock based compensation costs include approximately four weeks of costs related to Opera's new restricted stock unit (RSU) plan
One-time extraordinary cost	NA	In 2Q14, Opera recorded restructuring charges of MUSD 1.9 related to a strategic cost reduction that will better align costs with revenues and legal fees related to business combinations.
Total Expenses*	42%	

*Excludes one-time extraordinary cost

Cash Flow 2Q14 (MUSD)



3Q14 Guidance

Metric	3Q14 Guidance
Revenue*	MUSD 135-142
Adj EBITDA***	MUSD 31-34

* Assumes currency remainder of 3Q14 (NOK 6.2 /USD, USD 1.35 /EUR)

** Non-IFRS EBITDA excludes stock-based compensation expenses, extraordinary/one-time costs and acquisition related costs.

3Q14 Guidance Overview

		Vs. 2Q14*	Comments
Revenue	Operators	Down	Solid cloud based license/data revenue
	Mobile Consumers	Up	Solid smartphone user growth and solid ARPU
	Mobile Publishers & Advertisers	Up	Strong growth with addition of AdColony as of July 25th
	Desktop	Down	Stable user trend and solid ARPU offset by lower license revenues
	Device OEMs	Up	Driven by Connected TV customers
Expenses	Payroll	Up	Growing headcount in MP&A business, with inclusion of AdColony
	Cost of goods sold	Up	Reflecting Mobile Publisher & Advertiser revenue trend
	Stock-based compensation	Up	Full quarter of new RSU program
	Depreciation	Up	Continued investments in cloud based server hosting infrastructure and acquisition related depreciation
	Other Opex	Up	Attributed primarily to acquisition of AdColony

Assumes currency remainder of 3Q14 (NOK 6.2USD, USD 1.35/EUR)

2014 Guidance

Metric	2014 Guidance (prior ^{***})	2014 Guidance (new)
Revenue*	MUSD 435-460	MUSD 480-500
Adj EBITDA**	MUSD 110-120	MUSD 117-124

* Assumes currency remainder of 2014 (NOK 6.2 /USD, USD 1.35 /EUR)

** Non-IFRS EBITDA excludes stock-based compensation expenses, extraordinary/one-time costs and acquisition related costs.

*** Prior guidance refers to update done 24th June in connection with announcement of AdColony acquisition

Operational update

Lars Boilesen

CEO, Opera Software

1 billion mobile user reach

- Combining our technologies and inventories to reach the world's largest mobile audience
- 270 million users: Opera browser inventory, owned websites and applications
- 800+ million users: Opera Mediaworks publisher websites and applications
- Strategic search deals, operator partnerships and developers help extended the reach



Q2: We're very pleased with this quarter

Highlights from our three business units:

Consumer products

Signed new strategic deal with Microsoft
Launched new Opera Mini for iOS

Operators

Extended partnership agreement with Telenor
Continued strong growth of more than 110 million users

Opera Mediaworks

Aquisition of AdColony
Strong revenue quarter



CONSUMER PRODUCTS

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Strategic licensing agreement signed with Microsoft

- Opera Mini becomes the default browser for Microsoft's feature and Asha phones portfolio
- The current Xpress user base will be encouraged to upgrade to Opera Mini
- All new phones will come with Opera Mini pre-installed as the default browser



**WE JUST REACHED
100 MILLION ANDROID USERS**

Thanks for using Opera!

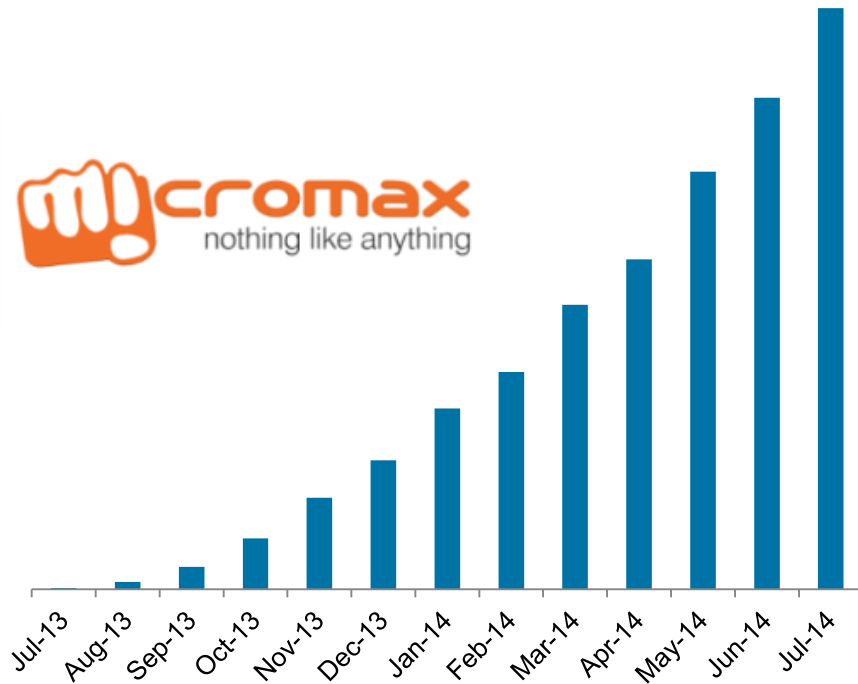


4 Million iOS users
30% growth year over year



New long-term deal signed with Micromax

- Micromax is the largest handset manufacturer in India and the 10th biggest globally
- New deal will pre-install Opera Mini on all of its Android devices
- Currently pre-installed on 50 Android devices where users increased 3 times over the last 6 months
- This new deal will result in even stronger user growth



Opera comes by default on Huawei smartphones and tablets in Russia

Smartphones and Tablets with Opera for Android pre-installed has been shipped to Russia and is now available in the market. These smartphone models are:

Ascend G6, G730, Y600, Y530, and Y330



OPERA FOR COMPUTERS

Completed migration to the Blink rendering engine

Now available on all platforms: Mac, Windows and Linux

Retention rate is higher than previous Opera products

We had a strong revenue growth in the quarter



TV & Devices

Strong revenue in this quarter

New deals signed with Swisscom and The Washington Post





OPERATORS

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Extended and expanded partnership with Telenor

- Telenor Digital will license the entire Opera portfolio:
 - Opera Max
 - Co-branded Opera Mini web browser and
 - Opera Web Pass
- Will be available for roll-out to Telenor subsidiaries globally

Rocket Optimizer

Opera Web Pass

Horizon

Co-branded Opera Mini

Opera Max

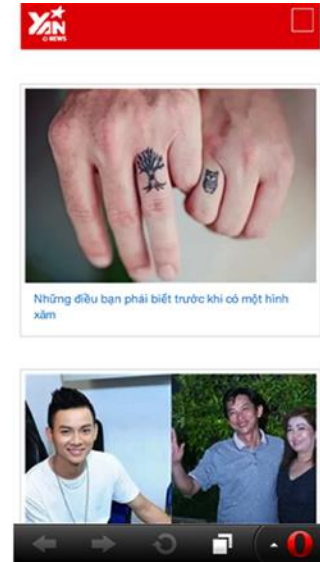
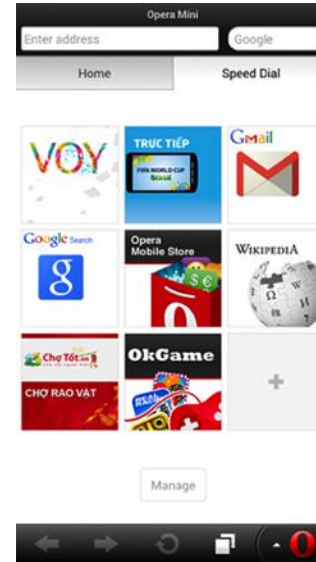
Extended and Expanded Partnerships

Tier 1 Operators



New deals signed this quarter

- Opera and MTS Russia launch App Market store
- Yan Entertainment News portal for Vinaphone Opera Mini users in Vietnam
- Deal signed with Bangladesh's second largest cellular operator – Banglalink for delivering a special co-branded mobile web browser to its more than 29 million subscribers



Good momentum for the Rocket Optimizer platform

- Increased focus on establishing partnership with leading infrastructure OEMs
- 3 network trials now live
- Strong pipeline with trials for Tier-1 carriers
- Market entry in China with joint venture nHorizon





OPERA MEDIAWORKS

**QUARTERLY REPORT
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OVER 17,000
Sites & Applications

OVER 800 MILLION
Global consumers reached

64 BILLION
Monthly ad impressions



Android
49.64%



iOS
37.21%



Other
6.87%



Symbian
4.87%



BlackBerry
1.12%



Windows
0.30%

Top Q2 Agencies & Advertisers



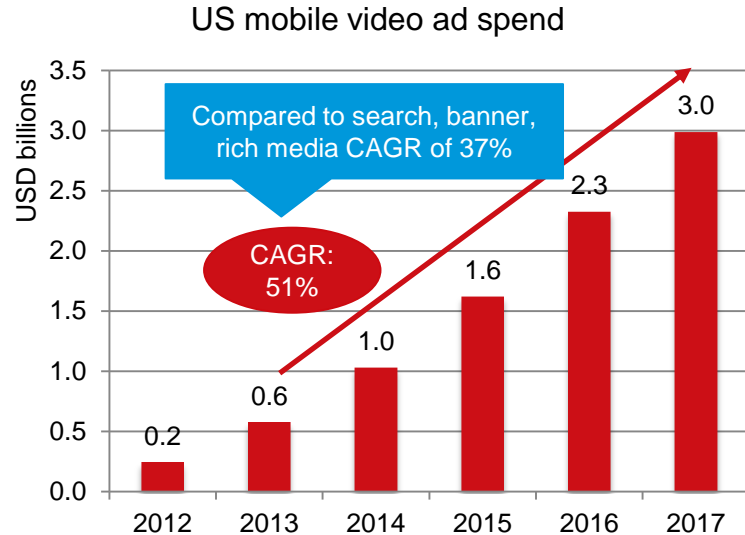
Top Q2 Publishers



Q2 Ad requests

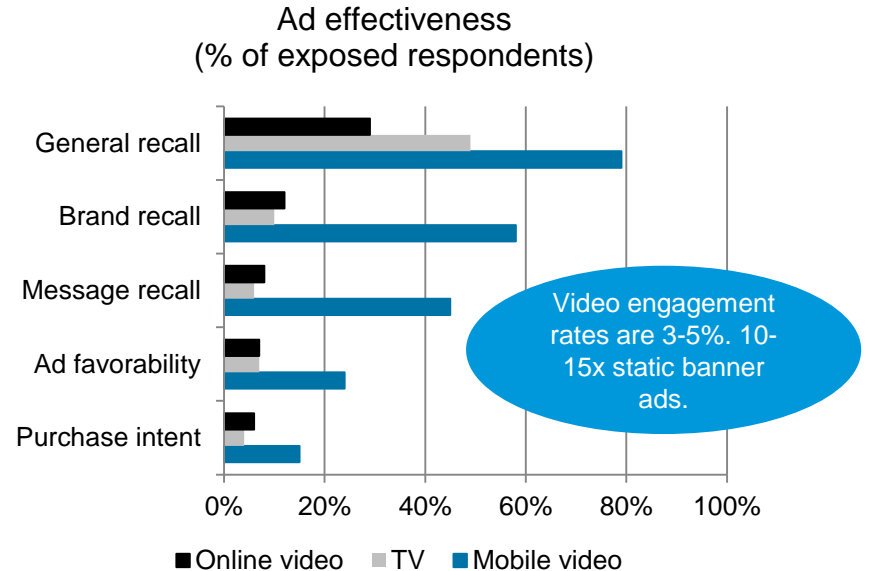


Video is the fastest growing mobile advertising segment and is highly effective



"Growth rates for mobile video ad spending will be far greater than for any other related channel—television, online or total digital"

eMarketer, August 2013





A Leading Player in the Mobile Video Space

Audience reach of more than 340 million consumers

Market-leading Instant-Play HD video ads

Full-screen HD TV-like experience

Video ads shown “anywhere” – not only as part of video content

Dynamic End Cards that drive post-viewing interaction with consumers

Deliver immersive brand experiences, location, social media sharing, app installs

Strong traction with both brand advertisers and performance advertisers

AdColony is an excellent strategic fit for Opera Mediaworks

Industry Leader in Mobile Video Advertising

Establishes Opera as the leader in mobile video advertising
Highly differentiated combined platform – leading the innovation curve
Addresses huge demand for mobile video inventory from our brand advertisers
Very attractive market with strong underlying growth

Expands Publisher Base

Highly complementary addition of a broad range of top-tier mobile publishers
Attractive new inventory for rich media and banner ads

Strong Brand & Performance Offering

Strengthens Opera's portfolio in high growth mobile ad market

Global Opportunity

Opera can take AdColony beyond U.S. footprint and expand to international markets (starting with a solid foothold in the U.K., Germany, Brazil and Mexico)



O OPERA
MEDIAWORKS

Innovation Lab

The logo for Opera Mediaworks is centered on a light blue background. It features a large, bold, red letter 'O' on the left. To its right, the word 'OPERA' is written in a bold, dark blue, sans-serif font. Below 'OPERA', the word 'MEDIWORKS' is written in the same dark blue, sans-serif font, but in all caps and slightly smaller. The background is decorated with several faint, overlapping, light blue curved lines that create a sense of motion or orbits. A faint, mirrored reflection of the 'O' and the word 'MEDIWORKS' is visible below the main text.

O OPERA
MEDIWORKS

