Opera Software ASA

- Quarterly report
- Second quarter 2015

About Opera Software

Opera enables more than 350 million internet consumers worldwide to connect with the content and services that matter most to them. Opera also helps publishers monetize their content through advertising and advertisers reach the audiences that build value for their businesses, capitalizing on a global consumer audience reach that exceeds 1 billion.

www.opera.com

Financial Highlights 2Q15

	Financial metric	2Q15 ($m)	2Q14 ($m)
Revenue	Total revenue	146.2	100.6
Profitability	Adj. EBITDA*	29.5	27.0

- Revenue and Adjusted EBITDA at low end of guidance
- Strong revenue growth from Mobile Advertising (3rd party publishers)
- Solid revenue growth in Consumer (O&O) on constant currency basis
- Record Operating Cashflow

*Adj EBITDA, excluding stock-based compensation expenses and one-time costs

Financial review

- Quarterly report
- Second quarter 2015

A note from our lawyers
Disclaimer

Financial Highlights 2Q15

	Financial metric	2Q15 ($m)	2Q14 ($m)
Revenue	Total revenue	146.2	100.6
Profitability	Adj. EBITDA*	29.5	27.0
Cash generation	Operating Cash Flow	31.0	4.7
	Free Cash Flow**	25.6	-3.1

Excluding the impact of year-over-year changes in foreign exchange rates, revenue would have increased by 55% (to approximately $156m)

*Adj EBITDA, excluding stock-based compensation expenses and one-time costs
** Operating Cash Flow less capital expenditures and capitalized R&D costs

2Q15 Actuals versus Guidance

	2Q15 Actuals($m)	2Q15 Midpoint Guidance* ($m)
Total revenue	146.2	150.0
Adj. EBITDA**	29.5	31.5

*Provided at 1Q15 Presentation (May 13th, 2015)

**Adj EBITDA, excluding stock-based compensation expenses and one-time costs

2Q15 Financial Review

$m	2Q15	2Q14	Q on Q
Revenue	**146.2**	100.6	**45%**
Publisher and revenue share cost -	**52.2**	23.4	**123%**
Payroll and related expenses -	**38.8**	33.0	**18%**
Stock-based compensation expenses -	**2.1**	2.1	**-1%**
Depreciation and amortization -	**12.2**	6.9	**77%**
Other operating expenses -	**25.7**	17.2	**50%**
Total expenses** =	**131.1**	82.6	**59%**
Adjusted EBITDA*	**29.5**	27.0	**9%**
EBIT**	**15.2**	18.0	
Net Income	**-1.3**	9.5	
EPS (USD)	**-0.009**	0.071	
Non - IFRS Net Income	**12.6**	15.5	
Non – IFRS EPS (USD)	**0.086**	0.117	

*Adj EBITDA, excluding stock-based compensation expenses and one-time costs
** Excludes one-time costs

Financial Highlights: 2Q14 – 2Q15

Revenue ($m)

- Mobile Advertising - 3rd Party Publishers
- Consumer (Owned and Operated Properties)
- Tech Licensing

Adjusted EBITDA* ($m)
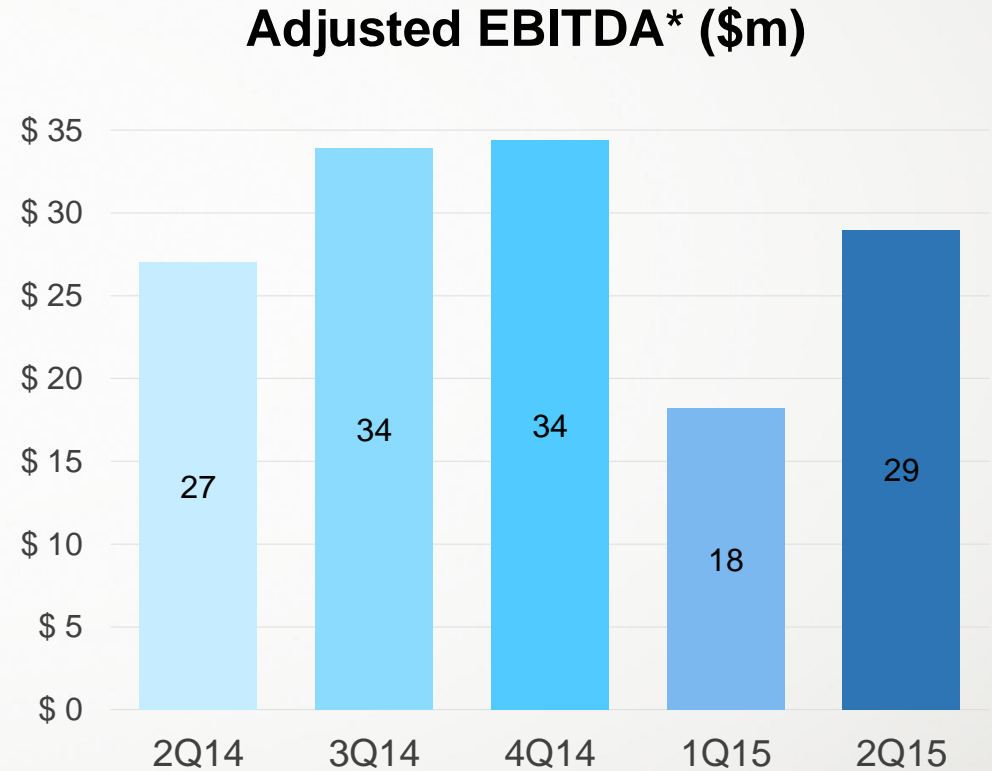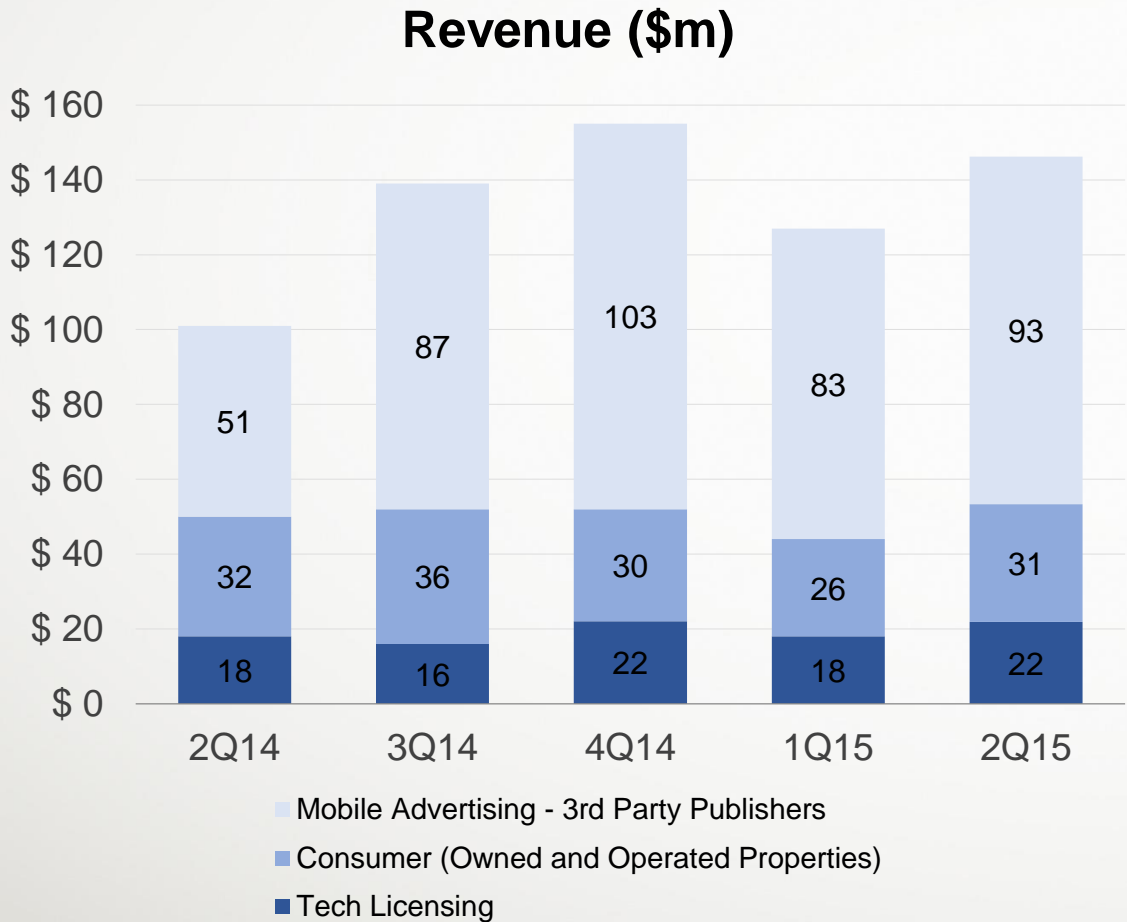
*Adj EBITDA, excluding stock-based compensation expenses and one-time costs

Revenue: Customer Type 2Q15

Revenue within guidance range, lower end overall

Customer Type	2Q15 ($m)	Change vs 2Q14	Comments
Mobile Advertising - 3rd Party Publishers*	92.9	+83%	**Low end of expectations**
Consumer (Owned and Operated Properties)	31.4	-2%	**In line with expectations**
Tech Licensing	21.9	+24%	**In line with expectations**

*2Q15 vs. 2Q14 pro forma revenue growth of 6% (pro forma includes AdColony for 2Q14)

Mobile Advertising - 3rd Party Publishers

Customer Type	2Q15 ($m)	Vs 2Q14 ($m)*	% Growth	Comments
Instant Play Performance	38	+8	**+27%**	**Solid growth**
Instant Play Brand	15	+9	**+136%**	**Strong growth**
Non-Instant Play Performance	4	-7	**-58%**	**Weak**
Non-Instant Play Brand	36	-4	**-11%**	**Weak**
Total Mobile Advertising - 3rd Party Publishers	93	+6	**6%**	**Lower than expectations**

*Pro forma includes AdColony for 2Q14

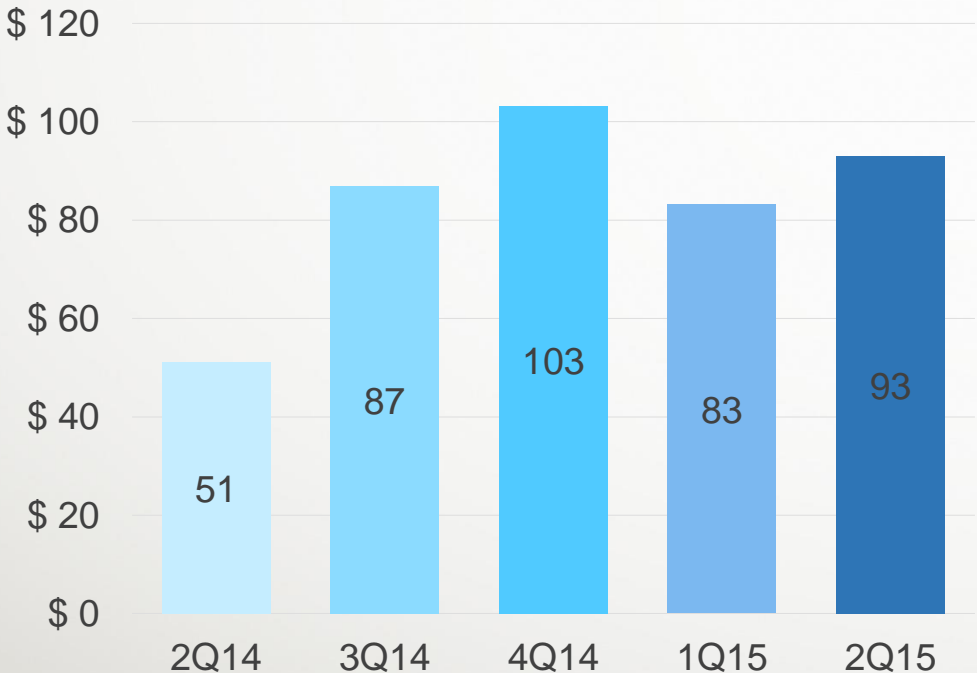# Revenue: Mobile Advertising - 3rd Party Publishers

Mobile Advertising - 3rd Party Publishers revenue at low end of expectations

Revenue growth was driven primarily by increased Instant Play revenue from premium and performance advertisers and "app-install" driven spend from primarily the mobile gaming sector.

Ran campaigns for many of the top revenue grossing app developers in the world

Revenue came in below expectations mainly due in particular to softness in the non-Instant play video advertising market

$m Mobile Advertising - 3rd Party Publishers

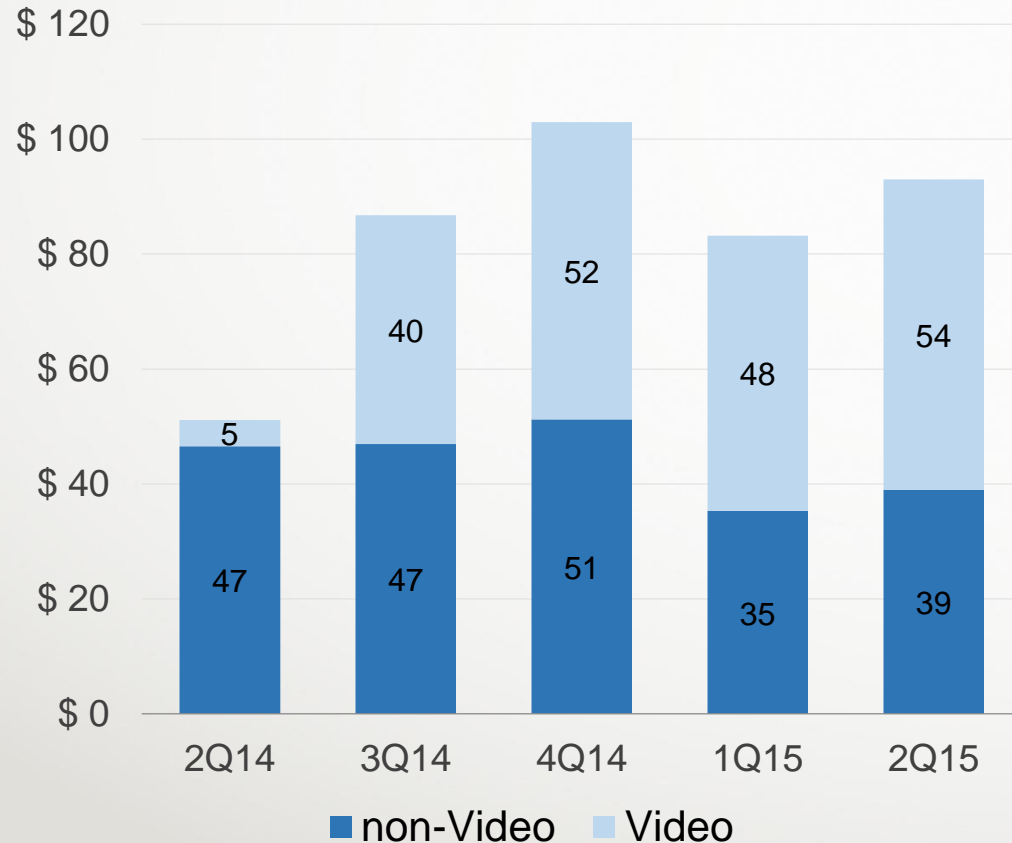| Quarter	Revenue ($m)
2Q14	51
3Q14	87
4Q14	103
1Q15	83
2Q15	93

Top 5 Brand Verticals 2Q15

1. CPG / FMCG
2. Travel
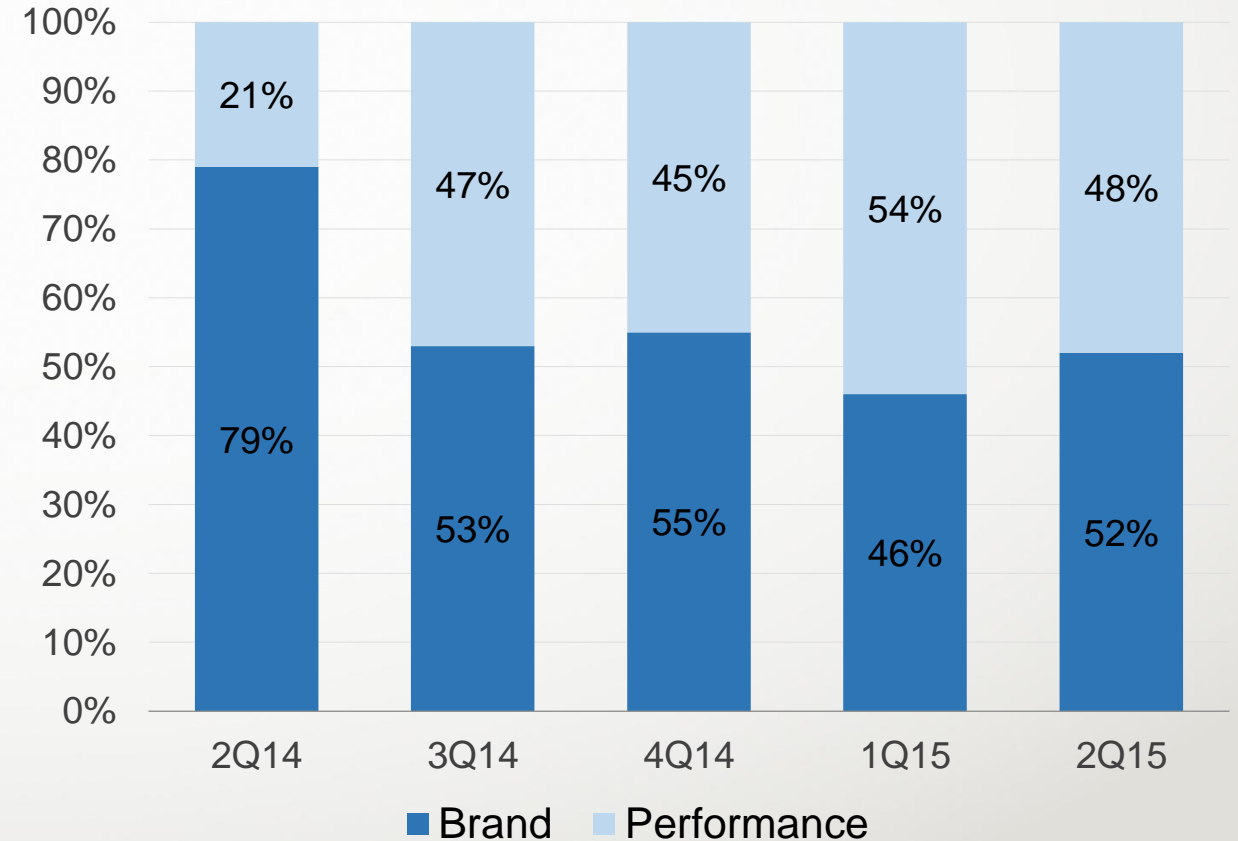3. Finance
4. Automotive
5. Technology/Consumer Electronics

Mobile Advertising - 3rd Party Publishers

Video Accounted for 58% of total Mobile Advertising (3rd PP) in 2Q15

Video vs non-Video ($m)

Quarter	non-Video	Video
2Q14	47	5
3Q14	47	40
4Q14	51	52
1Q15	35	48
2Q15	39	54

■ non-Video ■ Video

Brand vs. Performance

Quarter	Brand	Performance
2Q14	79%	21%
3Q14	53%	47%
4Q14	55%	45%
1Q15	46%	54%
2Q15	52%	48%

■ Brand ■ Performance
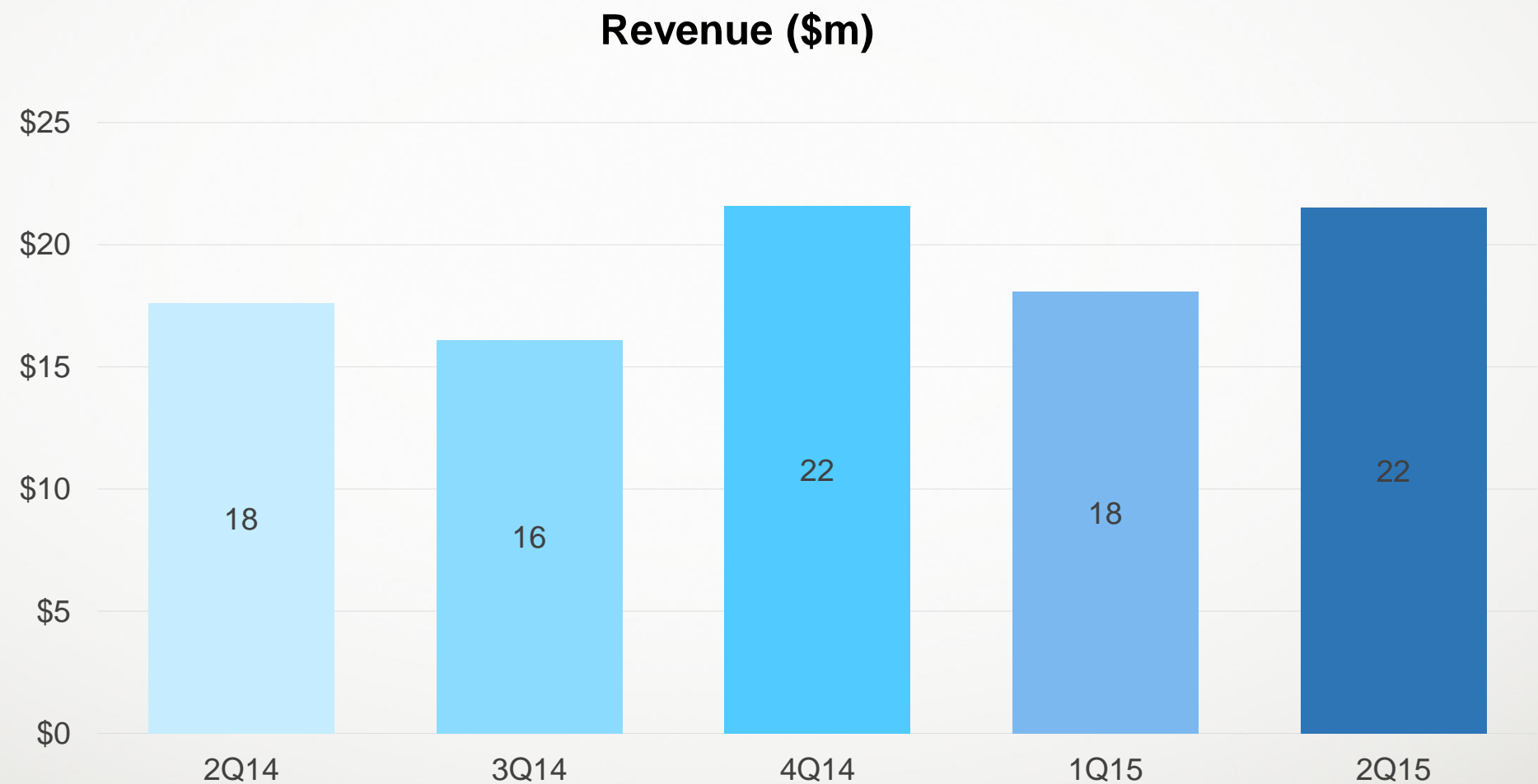
Revenue: Consumer - Owned and Operated Properties

Consumer- Owned and Operated Properties revenue in line with expectations

Customer Type	2Q15 ($m)	Vs 2Q14 ($m)*	% Growth	Comments
Mobile Browser	9.4	+2.9	**+45%**	**Strong**
Apps and Games	1.1	+0.6	**+128%**	**Strong**
Performance and Privacy Apps	0.7	+0.7	**N/A**	**1st full quarter of SurfEasy**
Operator Co-brand Solutions	8.1	-3.8	**-32%**	**As expected**
Desktop Browser	12.0	-1.1	**-8%**	**Solid ex FX**
Total Consumer (O&O)	31.4	-0.6	**-2%**	
Total Consumer (O&O)*	38.0	+6.0	**+19%**	**Solid growth**

*Constant currency vs 2Q14

Revenue: Tech Licensing

Revenue ($m)

Quarter	Revenue
2Q14	18
3Q14	16
4Q14	22
1Q15	18
2Q15	22

Cost

OPEX Development ($m)

Legend:
- One-time cost
- Publisher and revenue share cost
- Other OPEX
- Depreciation
- Stock-based compensation expenses
- Payroll

Chart (stacked bars, $m) across quarters: 2Q14, 3Q14, 4Q14, 1Q15, 2Q15

Y-axis: $ 0, $ 20, $ 40, $ 60, $ 80, $ 100, $ 120, $ 140, $ 160
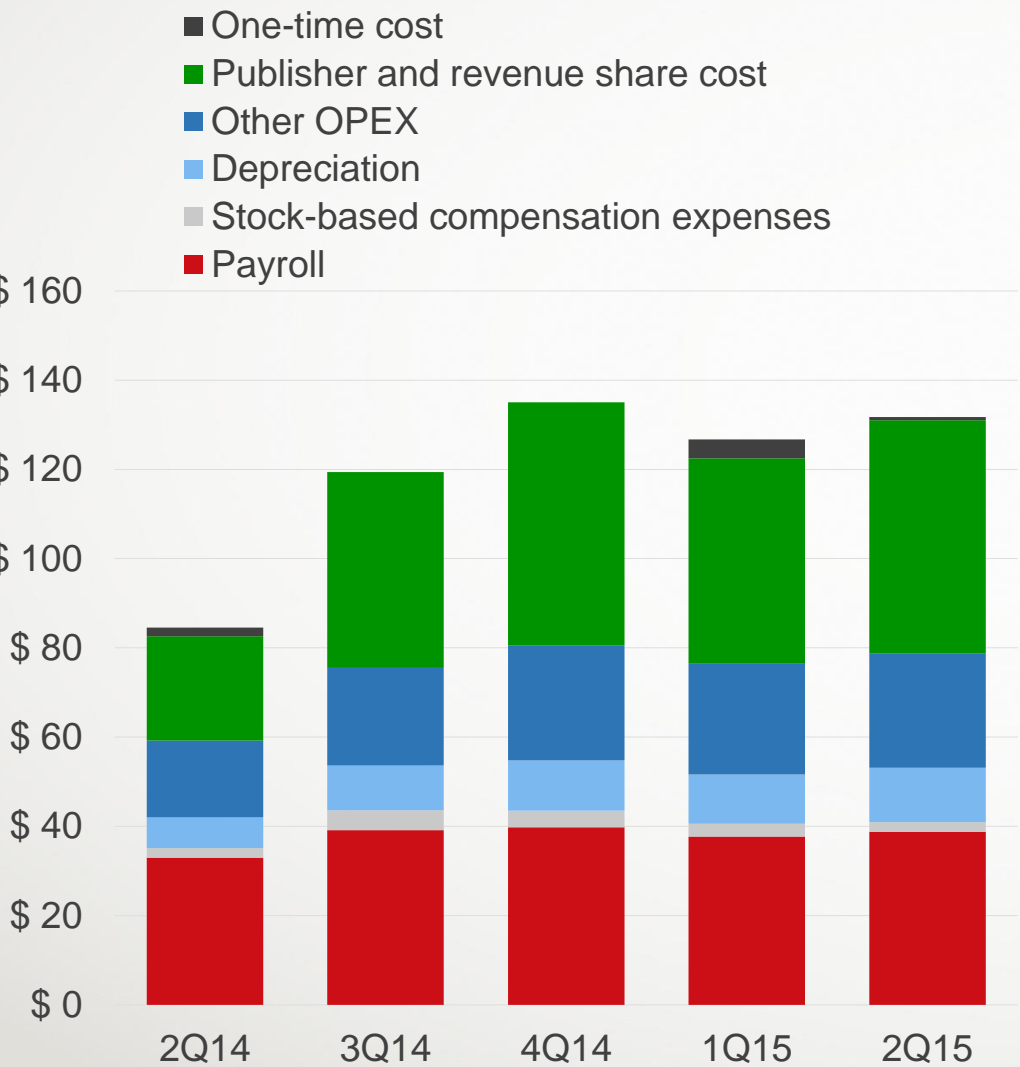
Cost line	2Q15 vs. 2Q14	Comments
Payroll	18%	Higher headcount
Publisher and revenue share cost	123%	Driven by 83% growth in Mobile Advertising - 3rd Party Publishers Publisher and revenue share cost related primarily to Mobile Advertising - 3rd Party Publishers
Other OPEX	50%	Marketing and hosting expenses key drivers
Depreciation & Amortization*	77%	Higher investments in Opera Mini server infrastructure and depreciation on intangible assets related to acquisitions.
Stock-based compensation expenses	-1%	
Total Expenses*	**59%**	

*Excludes one time cost

Outlook

3Q15 Guidance

Metric	3Q15 Guidance
Revenue*	$148 - 153m
Adj. EBITDA**	$26 - 28m

* Assumes FX rates as of August 11th 2015

**Adj EBITDA, excluding stock-based compensation expenses and one-time costs

# 3Q15 Guidance Overview

		Vs. 2Q15*	Comments (Outlook)
Revenue	Mobile Advertising - 3rd Party Publishers	Up	Solid growth from both Brand and Performance businesses
	Consumer (Owned and Operated Properties)	Up	Solid search and mobile advertising revenue growth. Includes approximately 7 weeks of Bemobi revenue
	Tech Licensing	Down	Solid TV revenue offset by lower other Tech Licensing revenue
Expenses	Payroll	Flat/Up	Limited headcount growth in Advertising business
	Publisher and revenue share cost	Up	Reflecting Mobile Advertising (3rd PP) revenue trend
	Stock-based compensation	Flat/Up	Stable trend with cost of RSU program leveling out, partly dependent on shareprice
	Depreciation (excluding impairment expenses)	Up	Investments in cloud based server hosting infrastructure and acquisition related depreciation
	Other Opex	Flat	Relatively comparable to 2Q in aggregate

* Assumes FX rates as of August 11th 2015

4Q15 Revenue Overview

		Vs. 3Q15*	Comments (Outlook)
Revenue	Mobile Advertising - 3rd Party Publishers	Up	Strong growth from both Brand and Performance business in a seasonally strong quarter
	Consumer (Owned and Operated Properties)	Up	Solid desktop search revenue growth and strong mobile advertising and search revenue from smartphone user growth and new mobile browser product launches
	Tech Licensing	Flat/Up	Solid TV revenue and uptick in other Licensing vs 3Q15

* Assumes FX rates as of August 11th 2015

2015 Guidance

Metric	Old*** 2015 Guidance	Updated 2015 Guidance*
Revenue	$630-650m	$600-618m
Adj. EBITDA**	$130-140m	$108-118m

* Assumes FX rates as of August 11th 2015

**Adj EBITDA, excluding stock-based compensation expenses and one-time costs

***Guidance given at 1Q15 presentation May 13th 2015

Updated 2015 Revenue Guidance*

Consumer   Mobile Advertsing   Consumer   Mobile Advertsing
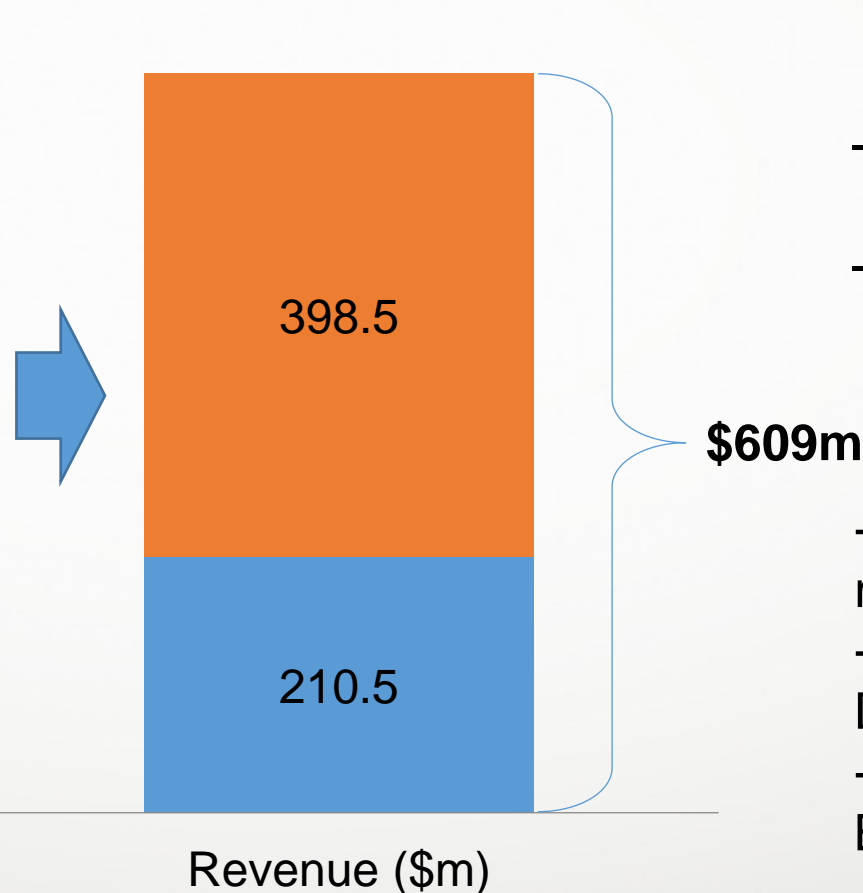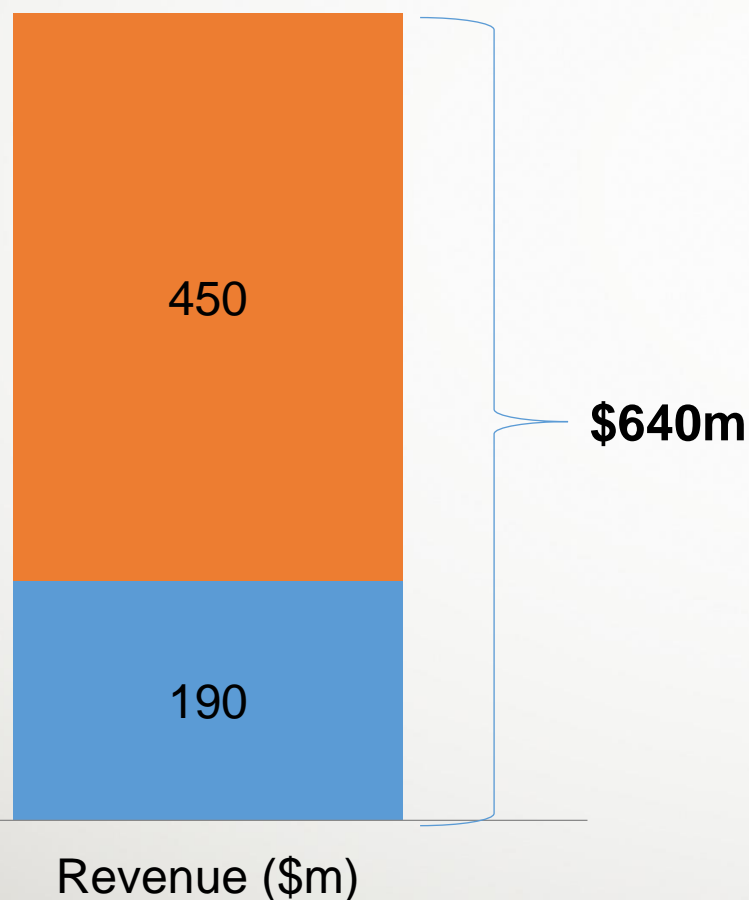
CHANGE

- Weaker non-instant play Brand revenue
- Weaker non-instant play Performance revenue

450   398.5

$640m ➡ **$609m**

190   210.5

+ Stronger Tech Licensing revenue
+ Solid revenue trends from Desktop and Mobile
+ Revenue Impact from Bemobi

Revenue ($m)   Revenue ($m)

* Based on midpoint guidance. Consumer includes both O&O and Tech Licensing

Updated 2015 Adj. EBITDA Guidance*
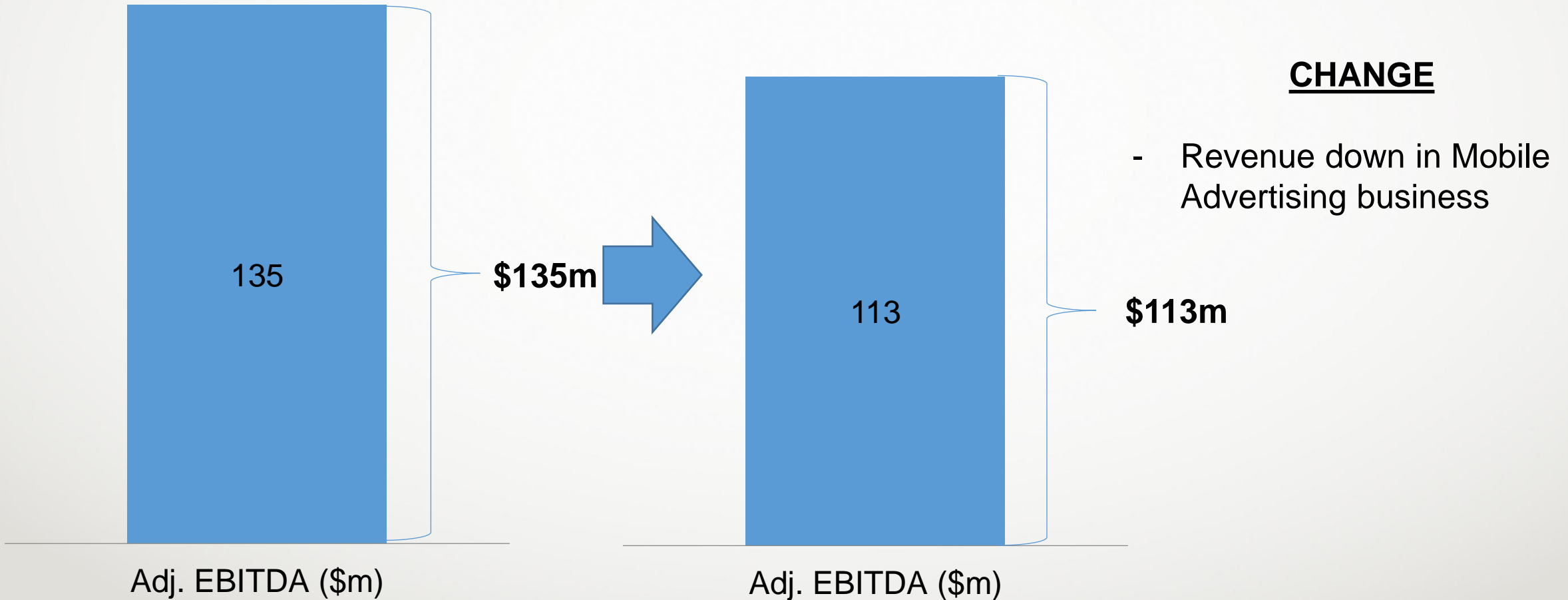
135

Adj. EBITDA ($m)

$135m

113

Adj. EBITDA ($m)

$113m

CHANGE

- Revenue down in Mobile Advertising business

* Based on midpoint guidance

Our Consumer Product Portfolio

Game/Apps &
Content Discovery
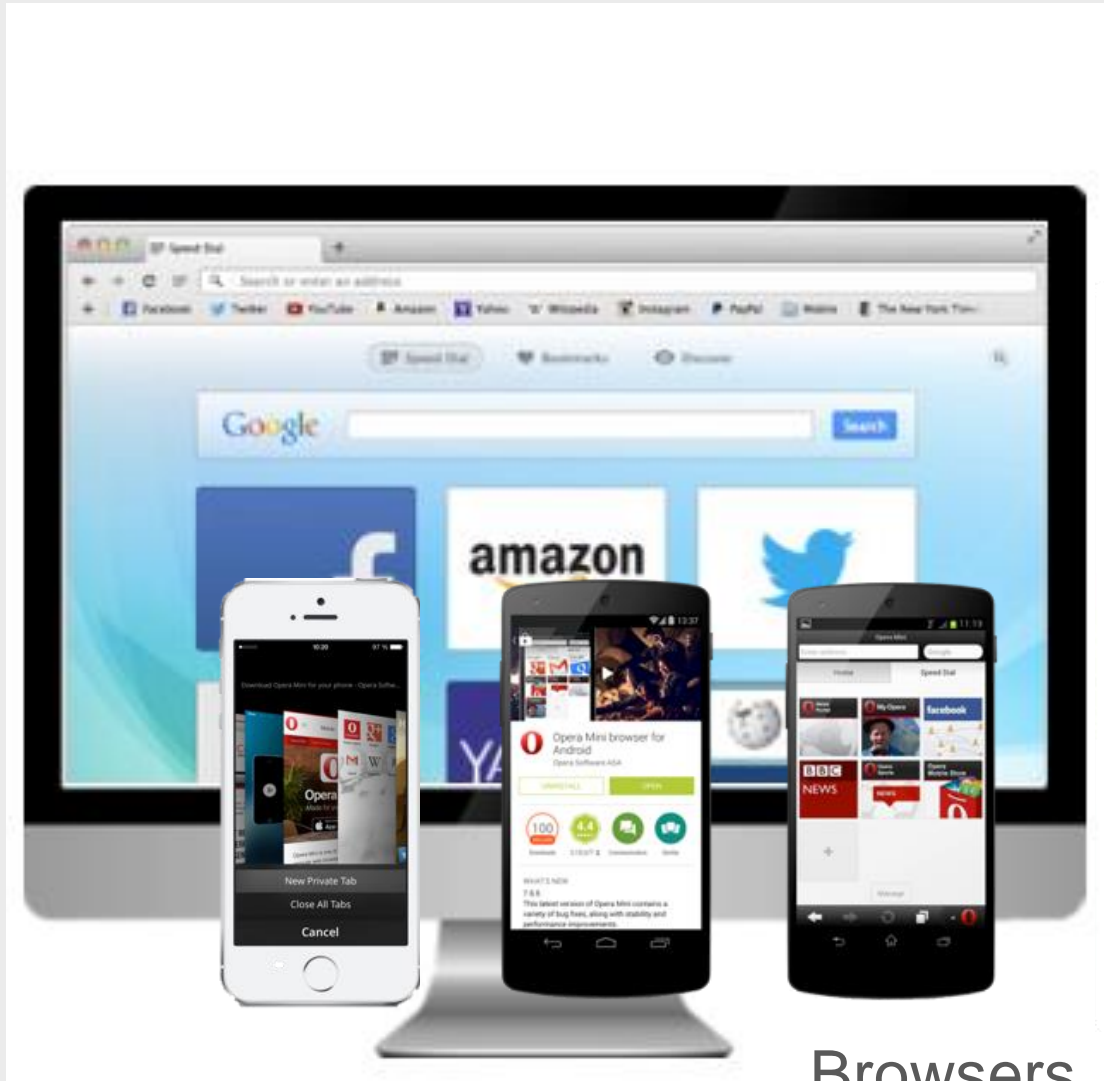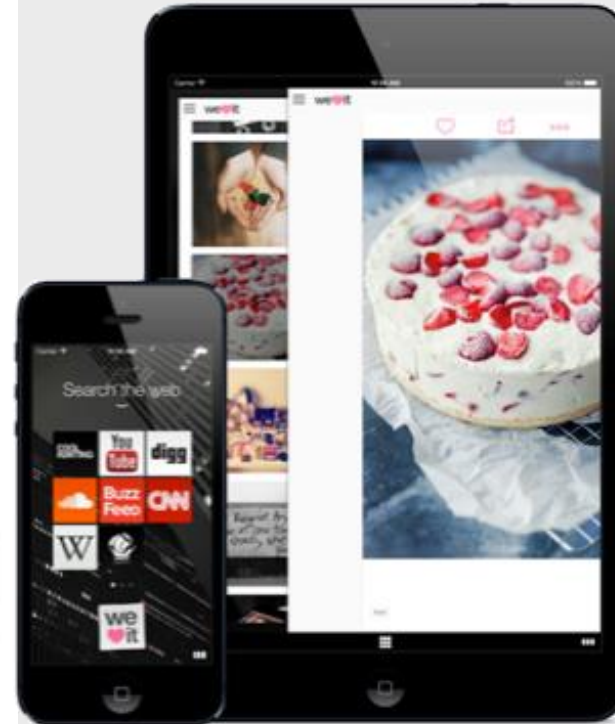
Browsers

Privacy & Performance
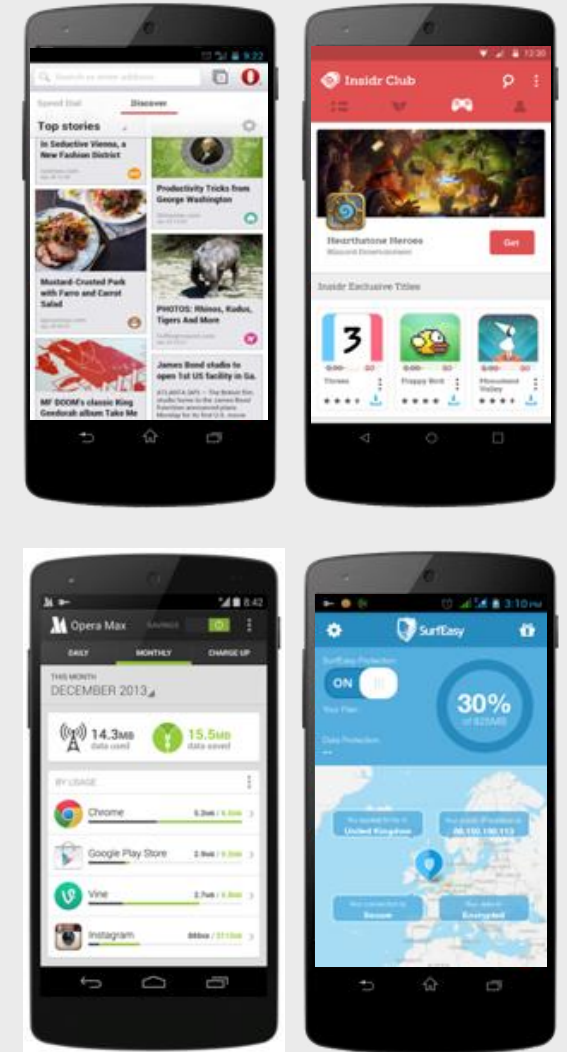
Browser Products

145M Monthly Active Android users
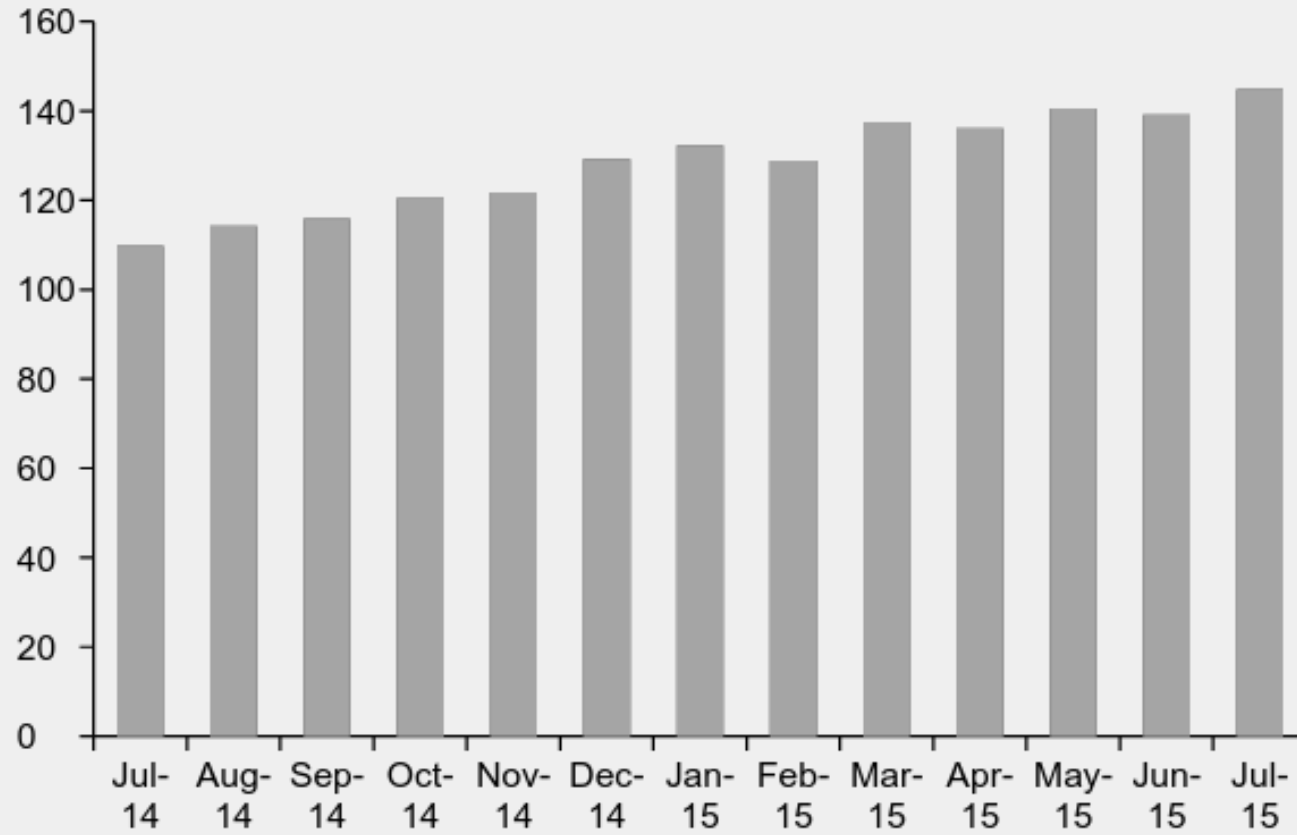
2H growth drivers

Continue to scale OEM distribution

Cross promote our apps and games

Protect & improve Google Play presence

Retention campaigns

Cost effective mobile ads acquisition

Strong growth in O&O monetization

6.5 M USD

9.4 M USD

+45%

Q1

Q2
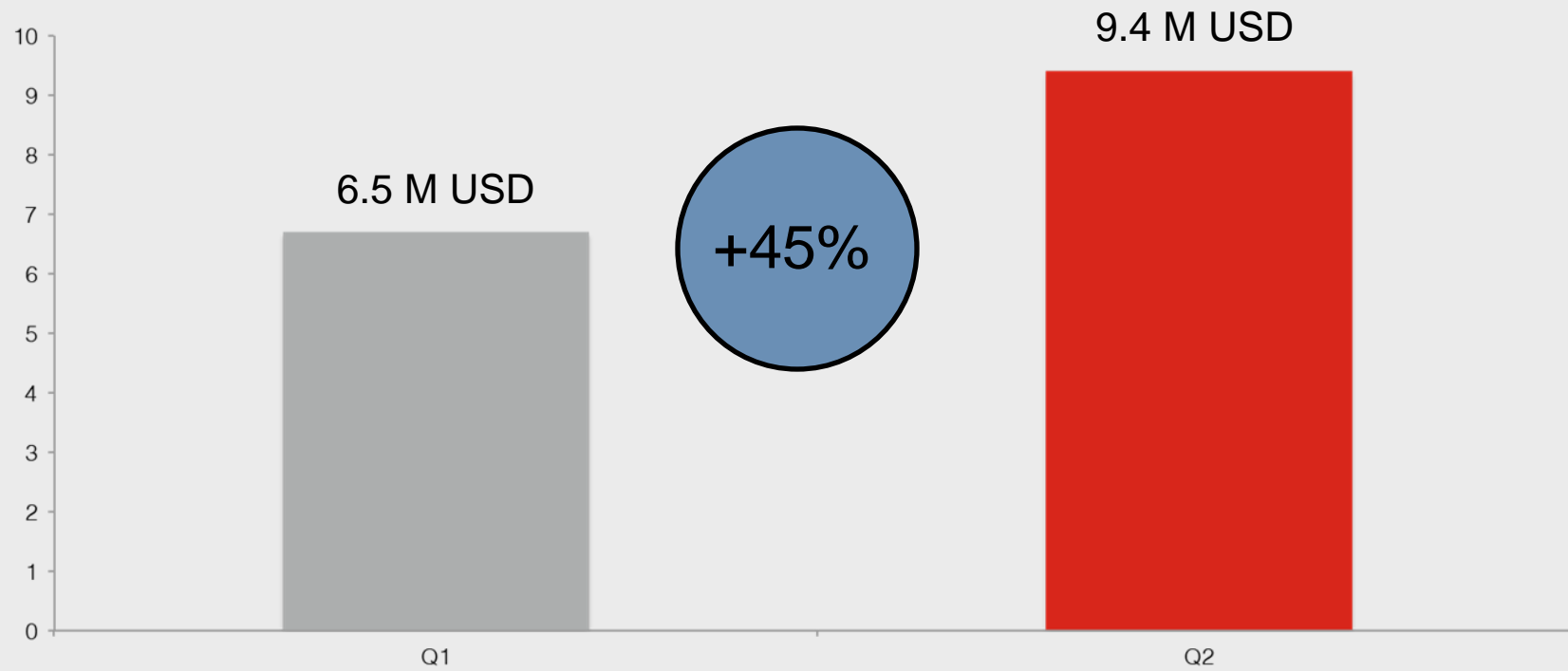
Search

Affiliates

Ads

Strengthened partnership with Google

Strong pipeline for Opera Mini product development
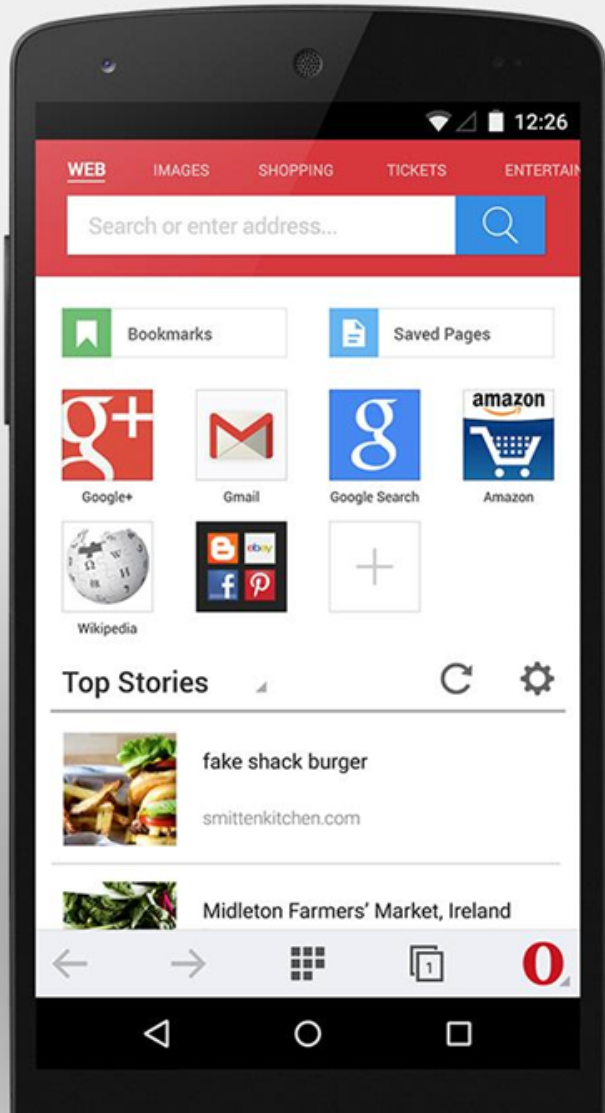
- Full browsing, full fidelity mode in September

- Brand new compression technology in Q4

- In-product notifications for social (Facebook) in Q2-Q3

- More personalization of content and browsing in Q3-Q4

Opera Mini product features improving monetization

- Better search experience

- More speed dials and adapted to small & large phone types

- More valuable ad formats, including video being added

- In-product notifications to promote other Opera Apps
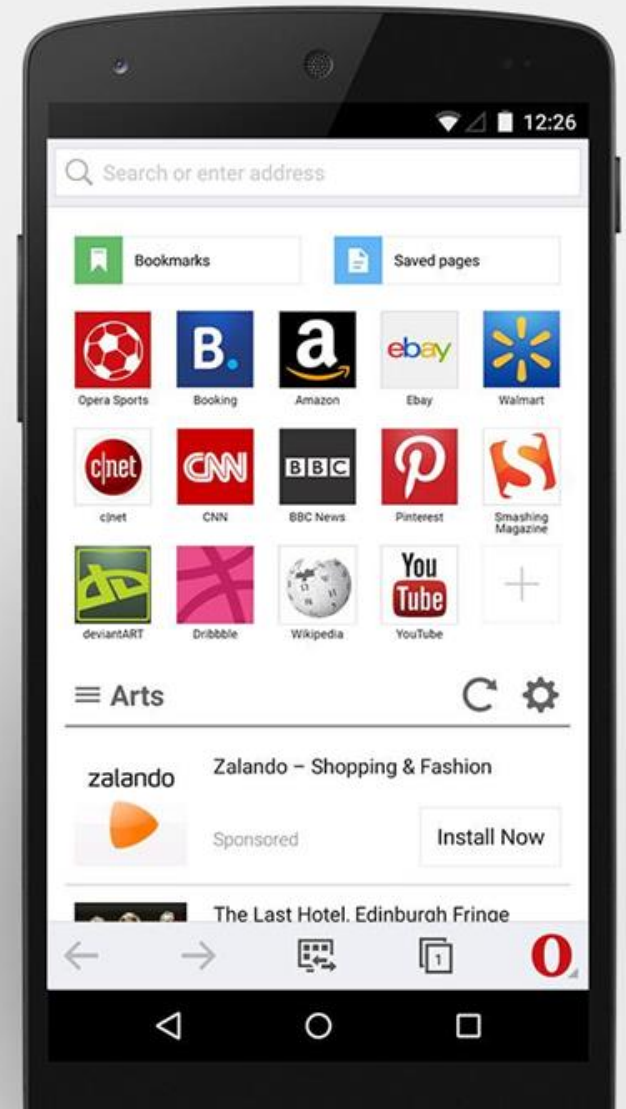
Desktop browser on track for year target

- 55 million users in July

- Strong focus on distribution in 2H

- Stronger Monetization

Performance & Privacy
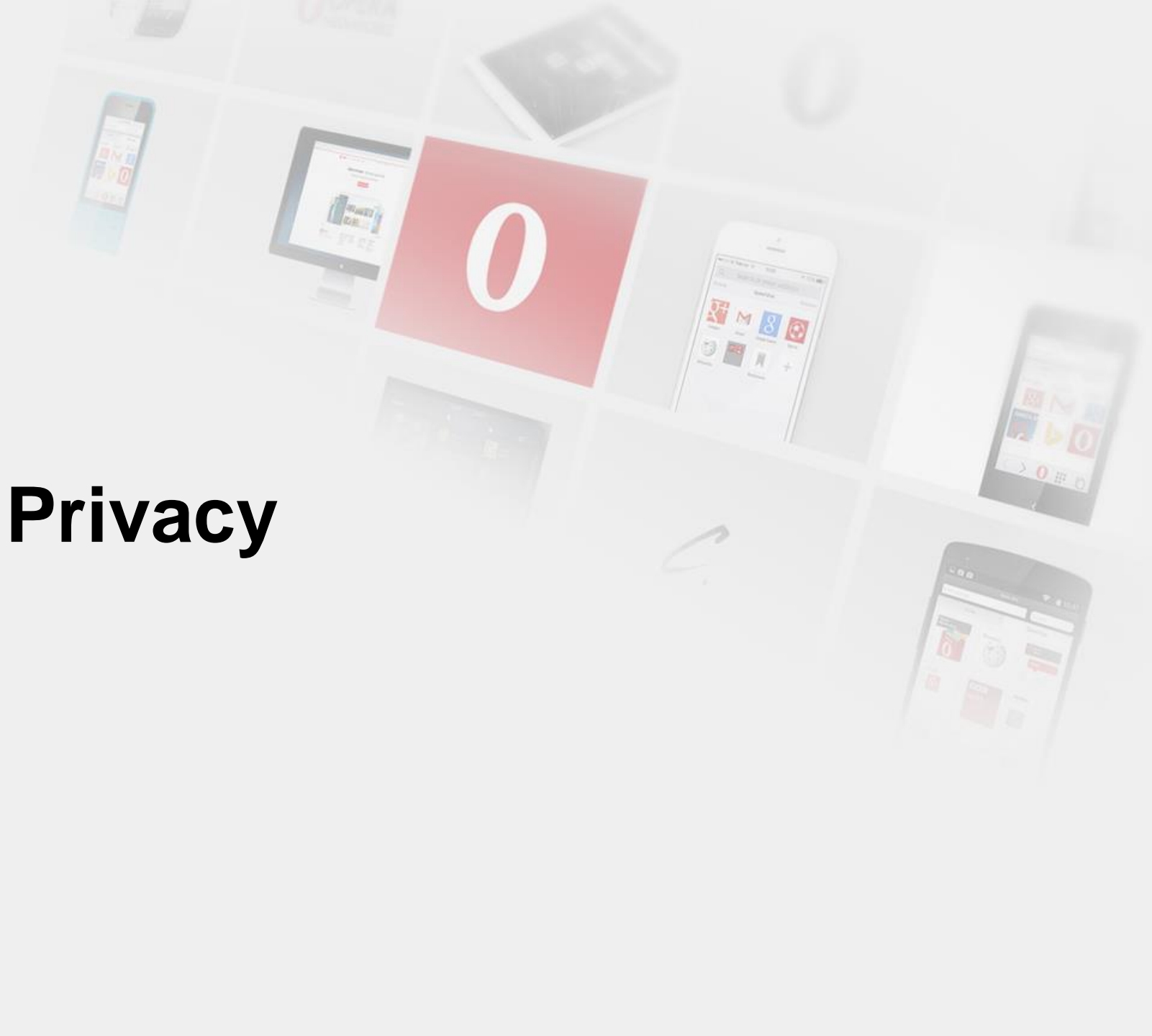
Opera Max launched globally

New Max Popular with Users

- Google Play Rating up from 4.1 to 4.3

- Max User Retention up by 2X
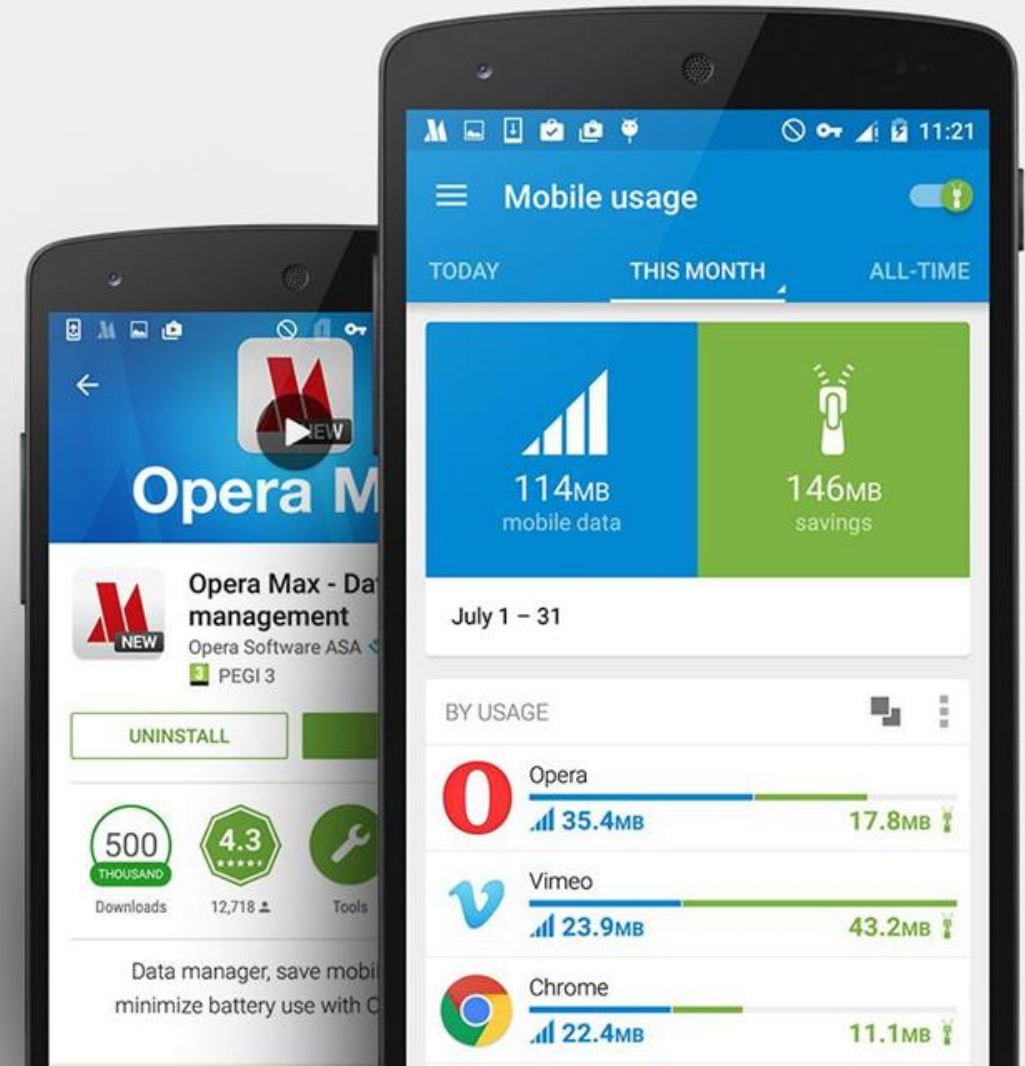
2H Max Roadmap Highlights

Opera Max's Data Savings tech will support:

- HTTPS Video Savings

- Music streaming Savings

- Background data blocking

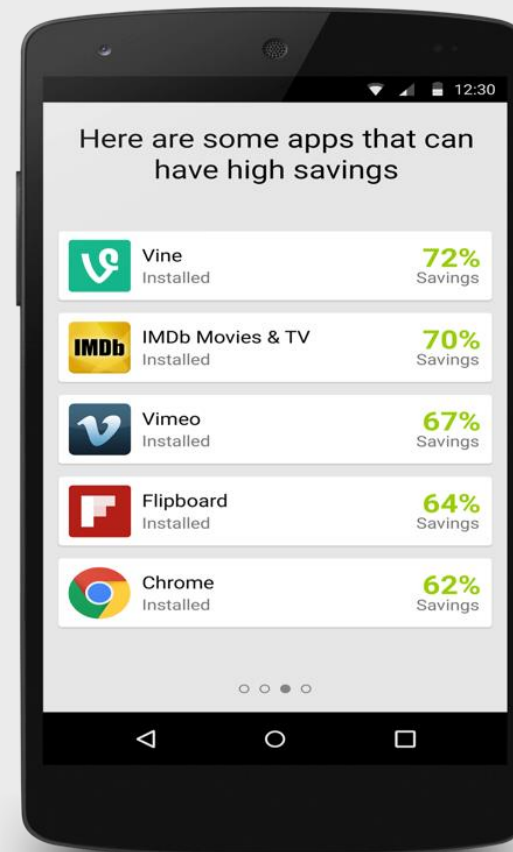# Max: Tighter integration with world leading OEMs
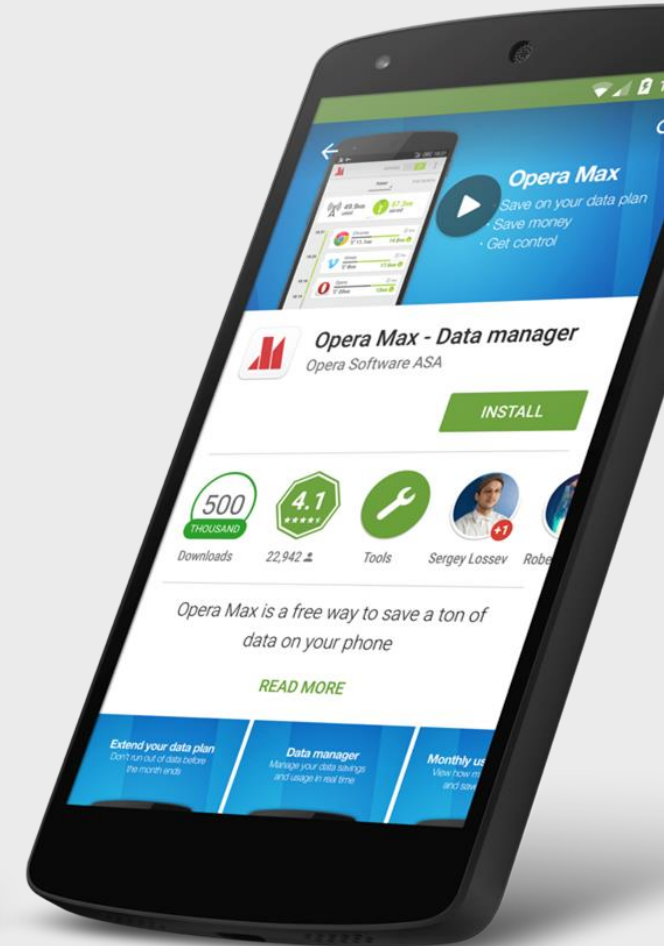
Cross Promo user flow from Mini to Max
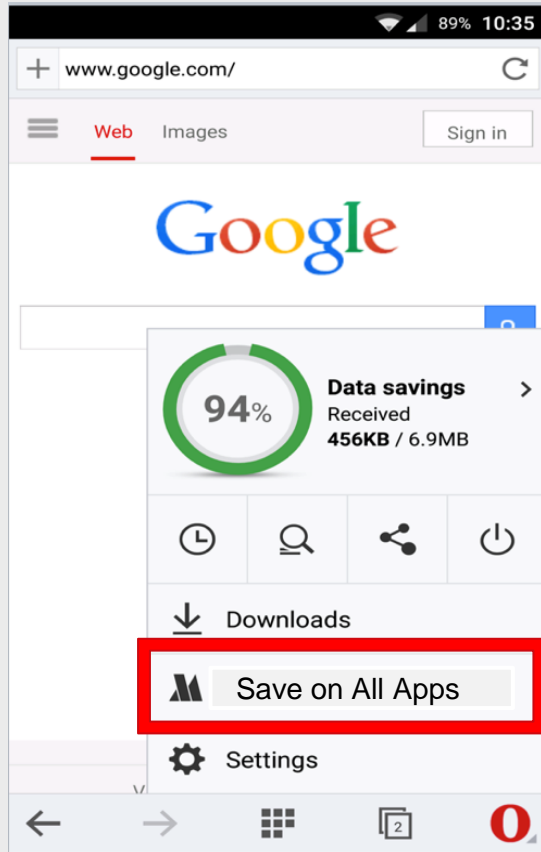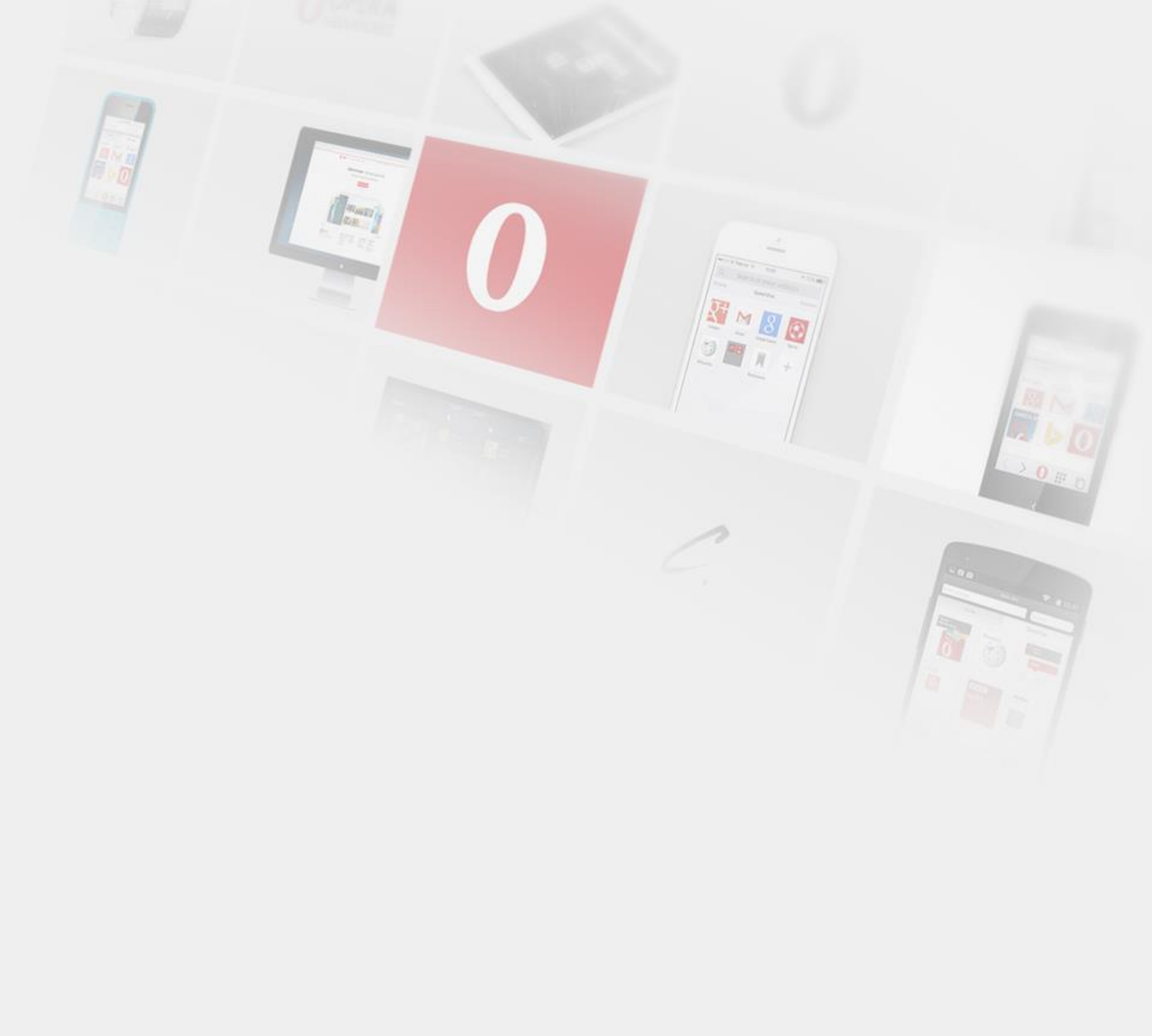

Step 1
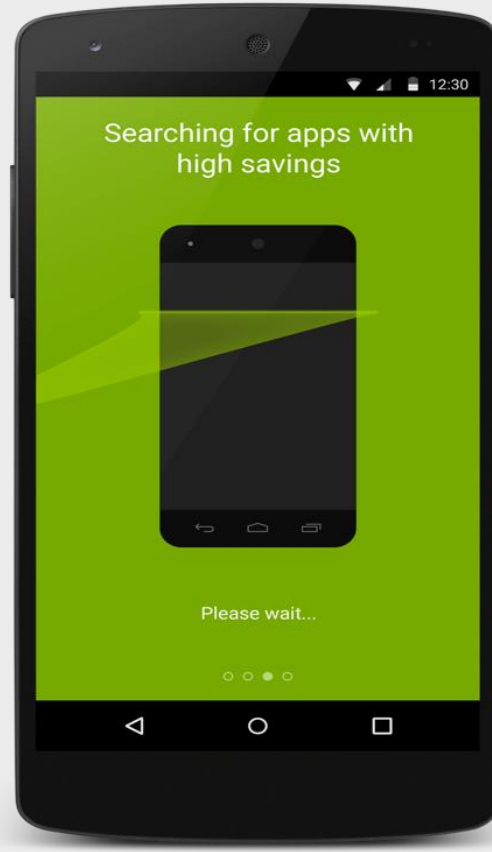
Step 2

Step 3

Step 4

Apps & Games

Recent Acquisition of Brazilian Based Bemobi

Bemobi`s Apps Club

- Android focused app subscription service

- Native Client

- Top premium paid apps

- Curated regionally aware catalog

- Proprietary app wrapping technology

  – enables app usage for active subscribers

- Effective monetization of premium apps in emerging markets

- Strong customers and operations in Latin America
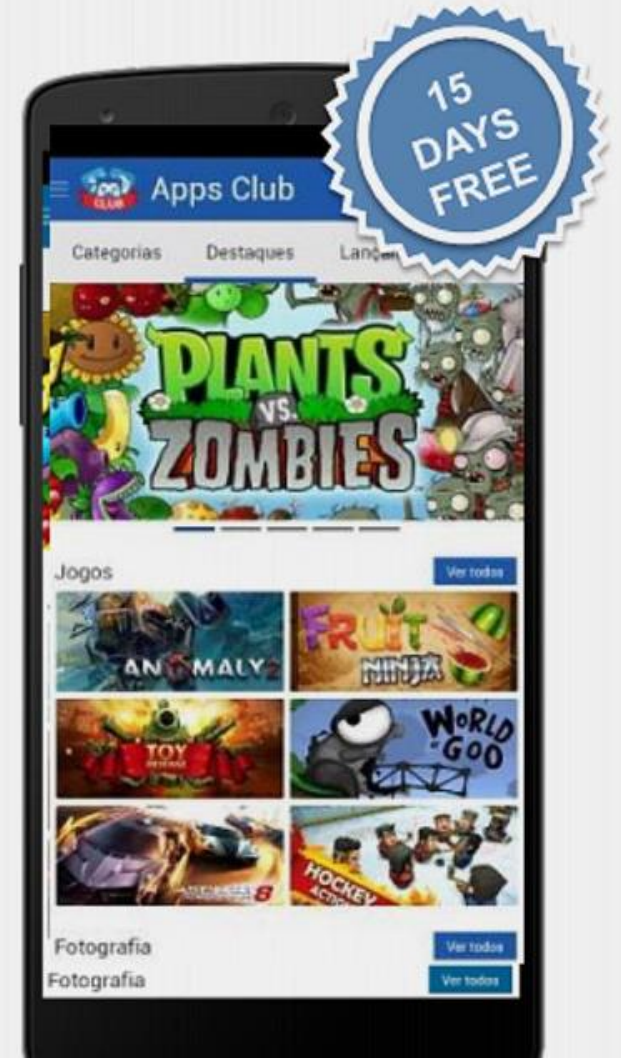
Opera Apps and Games moving forward

200k+ apps and games catalogue and global app/games developer contracts

Monetization → Advertising and Subscriptions

Distribution → D2C (direct and cross-promotion in Opera Mini)
High interest from OEM and Operators in subscription stores

Opera Mobile Store

Opera Games Network

Apps club and all you can eat offers

How Bemobi complements our current offering

		Opera	Bemobi
Marketing Expertise			
	Operator Expertise		●
	Direct Marketing	●	
User Experience			
	Web Based for feature phones	●	
	Client Based for Smartphones		●
Monetization			
	Ad Based	●	
	Subscription based		●
Other			
	Global operator agreements	●	
	Expertise I billing integrations		●

Apps and Games Moving forward

- Take the Android Apps Club proposition worldwide

- Use Opera's operator relationships to accelerate the deployment of the Apps Club

- Launch new games in the Opera Games Network where Opera controls monetization (ads and subscriptions)

- Invest in distribution (direct and OEM) for Opera Games Network and Apps Club

- Continue to improve the publisher catalogue of apps

The Opera Eco-system

Monetization channels

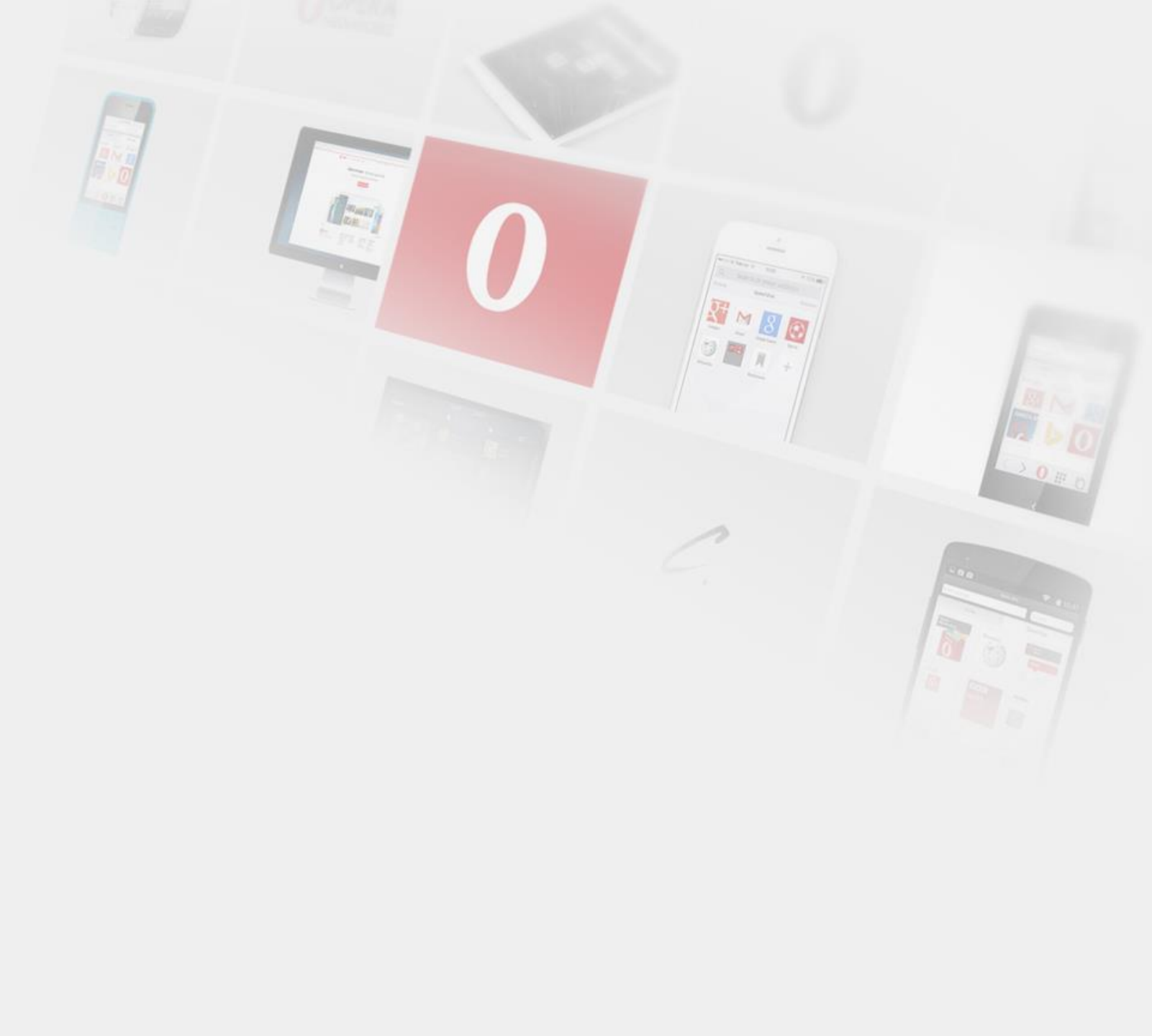| Advertising (Mediaworks)	Partners	User fees / subscriptions	3rd party distribution

Browser and Content Apps

Browser	App Store	News / Discover	Bemobi Apps Club	Project 1	Project 2	...

Performance and Privacy Apps

Opera Max	Web Pass	App Pass	SurfEasy / Privacy	Project 1	Project 2	...
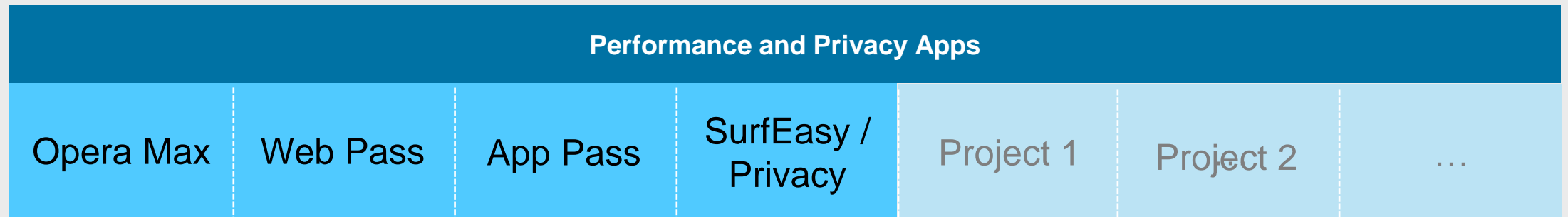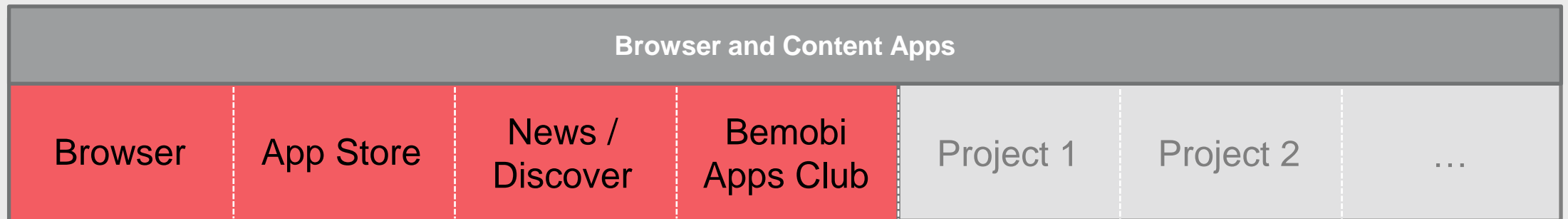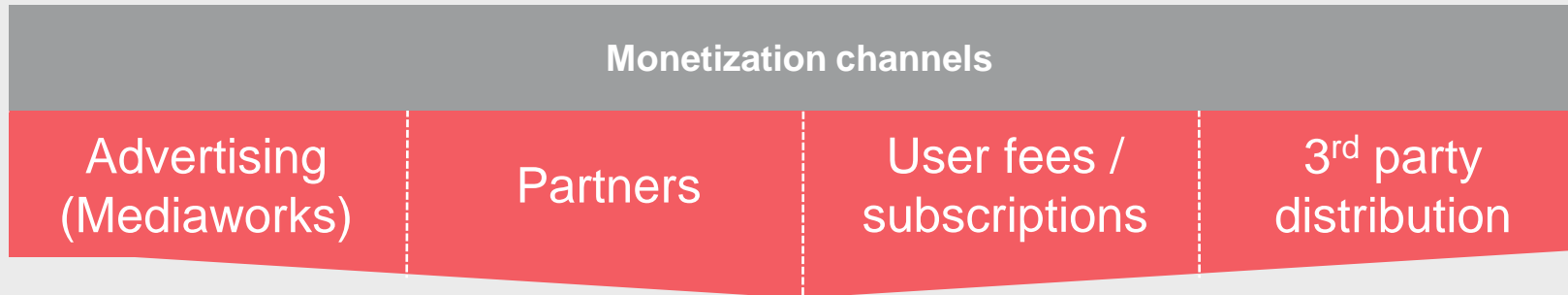
Tech Licensing

Strong Revenue quarter for Rocket Optimizer

- Expansion order from Tier1 US Operator

- Building strong global pipeline with Huawei and Ericsson, first deal awarded

- Agreement signed with Nokia Networks for reselling Rocket Optimizer platform

Strong Opera TV SDK shipment in quarter

Existing customers ramp up shipments to millions of users

Summary

- Strong User growth

- Strengthening O&O monetization

- Good User feedback for Max, ready for global roll out

- Acquisition of Bemobi to strengthen our apps and games business

- Ready to leverage large Opera Mini user base to cross promotion Max/Apps and Games

Making Mobile Ads Matter.

Trends are Evolving But the Future is Bright

While we are providing lower guidance, we are well positioned for long term success

Sales Execution: In Q2, organization amid transformation towards Video
- Weaker than expected performance in banner and simple rich-media

Trend: growing shift of dollars to programmatic – lower pricing & margins
- Growth slower than expected in banner and simple rich-media

Trend: Counter balanced by shift to video – higher pricing & margins
- Market shift towards richer, high engagement ad units
- Brands are becoming more attribution focused

Opera Mediaworks is well positioned for the future
- Delivering strongly differentiated value to publishers and advertisers
- Strategic investments and organization transformation towards Video and Instant-Play™
- Strong SDK footprint and direct publisher relationships
- Strong relationships with agencies and advertisers
- Global footprint with presence in all major media markets

Largest Independent Mobile Ad Platform

With more reach, revenues and profits than any platform competitor
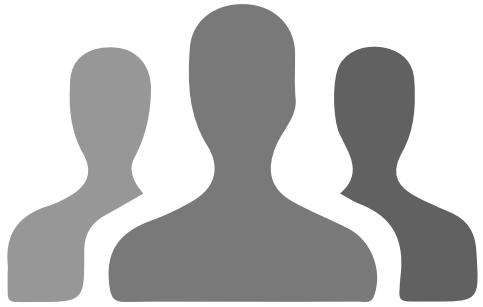
AdvertisingAge

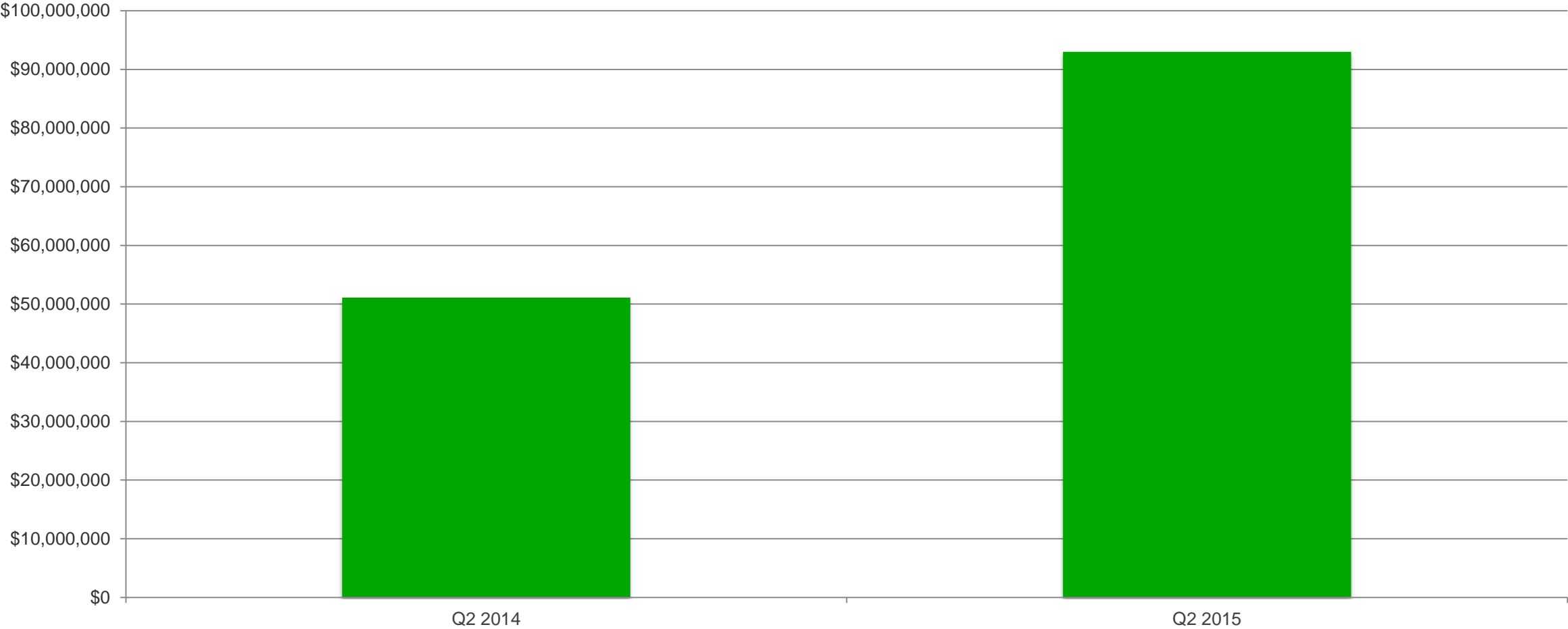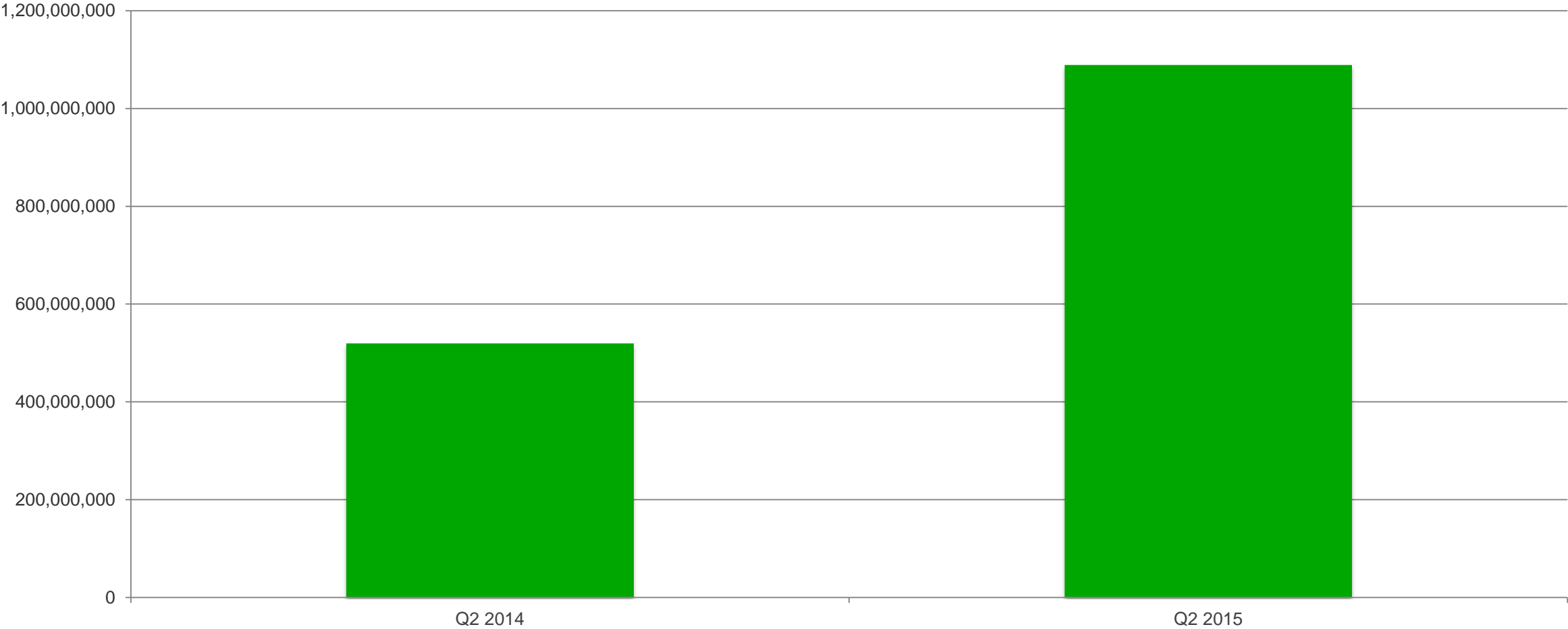| 1.1B	19,000	90%	100M+
Global Unique Consumers Reached Every Month	Mobile Sites and Applications (e.g. Pandora, CBS, CNET)	of the Ad Age Top 100 Working with OMW	installs to app economy w/quality & scale only 2nd to Facebook

83% YOY Growth in Revenue

Opera Mediaworks' Revenue Growth

110% YOY Growth in Platform Reach

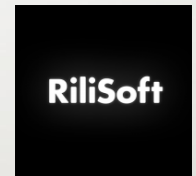**Opera Mediaworks' Platform Reach** *(MAUs, Millions)*

Global Expansion: Turkey with Mobilike acquisition in Q2, new ASIA markets

24 Offices Worldwide

Highest Quality Publisher Growth

New publisher relationships solidified in Q2 gives Opera Mediaworks **more access and reach in the most popular apps worldwide**

New Advertisers: Brands Continue to Shift to Mobile

Opera Mediaworks' sales organizations across the globe have helped secure **new advertisers in Q2.** Here are some examples.

Key Wins by Region

USA

- Continue to secure multi-million deals with brands (e.g. Verizon, Hasbro) and agencies
- Major growth in CPG, Travel and Financial Services verticals

Europe

- Major deals with Samsung, Nike, Turkcell, Ford, Tom Tom
- UK Trading deal signed with Aegis
- Video grows to 30%
- Short form video fund success
- Developing a DMP for Turkcell

APAC

- 72% growth in campaigns launched, 39 new accounts
- Momentum in UA business in Korea / China – Over $1 mn+ in Q2
- Big wins in eCommerce with Askme, Lazada, Bukalapak (35% of revenue)

Africa

- 64% increase in revenue from Q1
- Instant-Play Video launched in May with 5 deals signed within first 2 months.
- Group M leads spend with Johnnie Walker, Jeep and Unilever
- Strong growth in Opera Mini (8m to 9.5m) - key publisher in African market

LATAM

- Big CPI opportunities with Video from Trivago, LetGo, Movile
- Major regional campaigns from new brands, Netflix, and Unilever

Spotlight on APAC

Opera Mediaworks APAC investment is yielding impressive results in only one quarter, having grown revenues by 72% over the previous quarter, adding 39 new accounts (122 campaigns), including 4 million dollar accounts. Opened 2 new markets - Malaysia & Australia. Strengthened team in Korea, Singapore, India and Indonesia
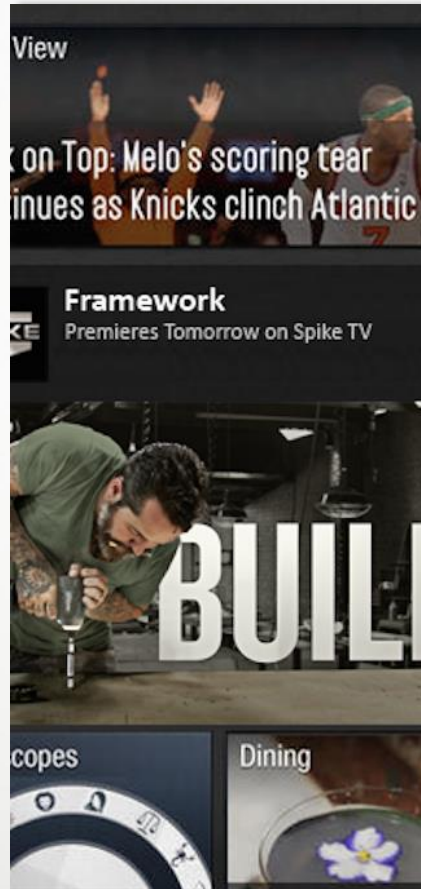
Q2 revenue growth over Q1

72%
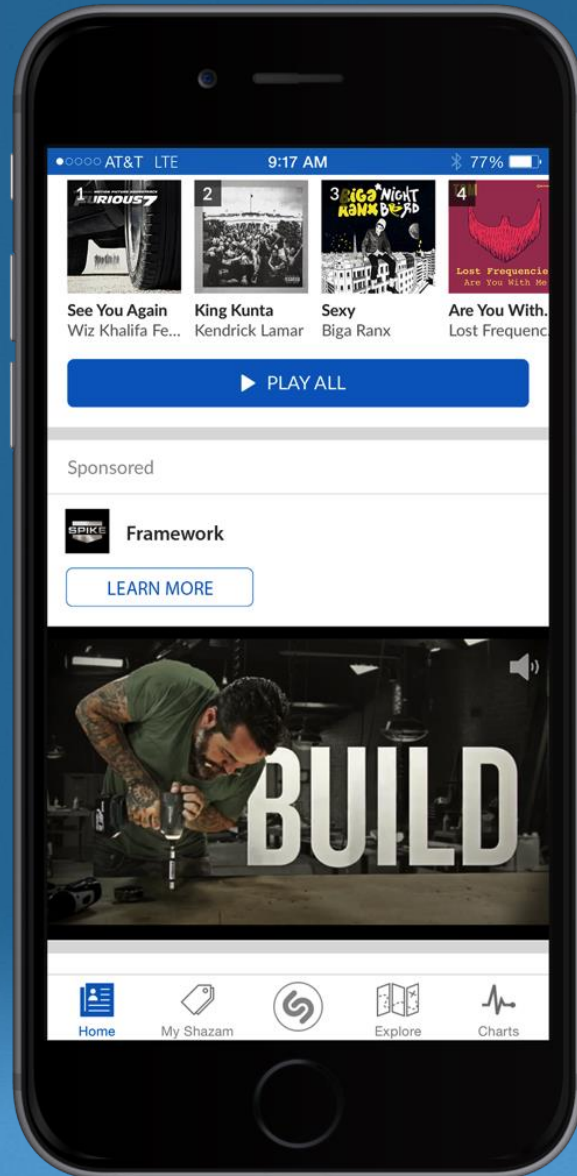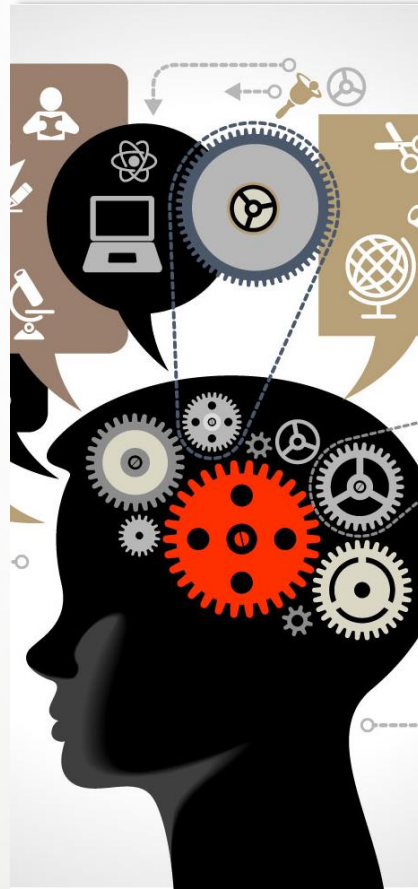
2015 Strategic Initiatives

2015 Strategic Initiatives

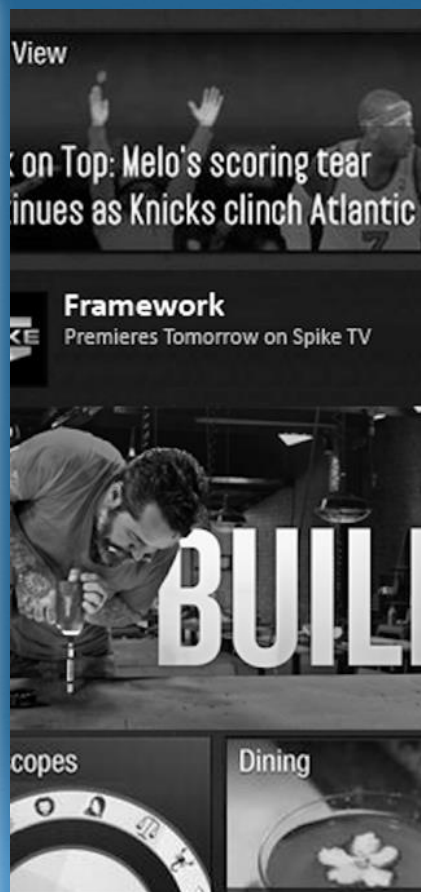**VIDEO**   **NATIVE**   **PROGRAMMATIC**   **PERFORMANCE**   **MEASUREMENT**
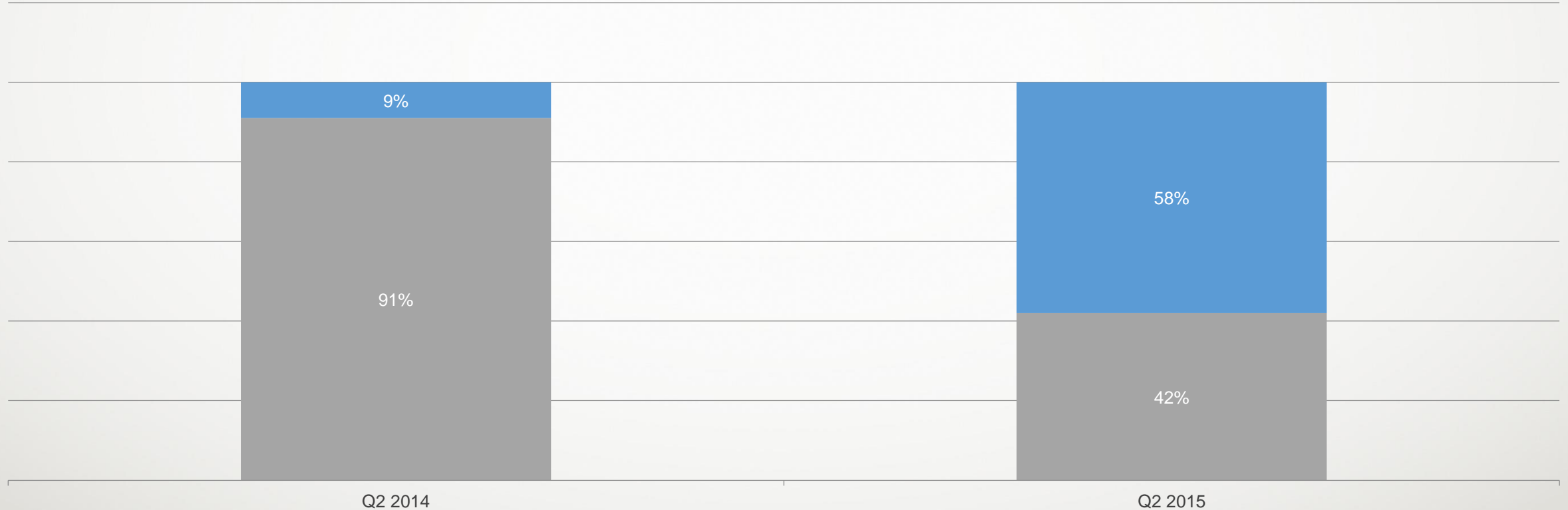
VIDEO

Revenue Shift Towards Video Continues

Ad format mix shift favors video and **video is the key driver of revenue growth.**

Q2 2014 vs. Q2 2015 YOY Share of OMW Revenue, Video vs. Non-Video

■ Non-Video ■ Video

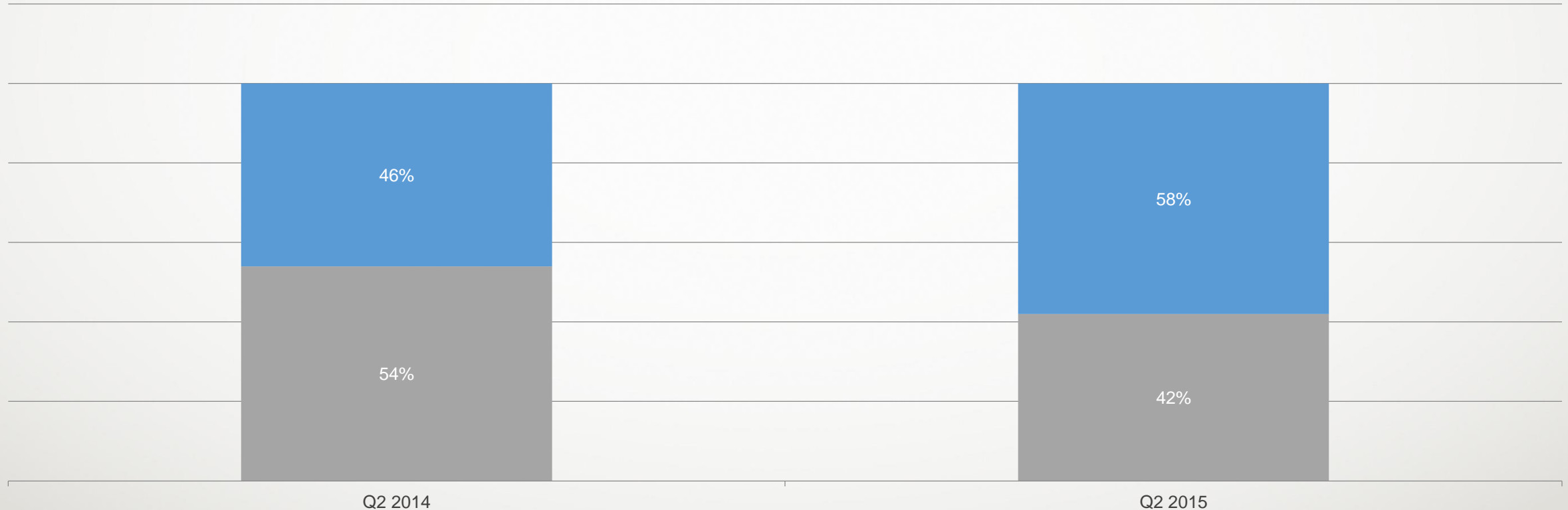|		
Q2 2014 — Video: 9%, Non-Video: 91%		Q2 2015 — Video: 58%, Non-Video: 42%

Revenue Shift Towards Video Continues *(Pro Forma)*

Even when including AdColony business during Q2 2014 (pre-acquisition), the data shows an advertising mix shift favoring video.

Q2 2014 vs. Q2 2015 YOY Share of OMW Revenue, Video vs. Non-Video

■ Non-Video ■ Video

Brands Increase Spending Towards Video

Revenue for **Instant-Play™ HD video** nearly doubled from Q1 to Q2. Growth is driven by big brands in CPG, Financial Services, Tech and Entertainment.

# Teaming with Disney to Help Drive Summer Box Office Success

A strategic partnership with Disney, partnering with the studio on Avenger's Age of Ultron (#1 box office opening weekend) & Inside-Out (#2 box office opening weekend) this summer.

- Walt Disney Studios taps Opera Mediaworks **Instant-Play™ video** to increase awareness around their summer blockbuster *Avengers: Age of Ultron.*

- *Avengers: Age of Ultron* was **#1 at the box office opening weekend** & the **6th highest grossing film of all time**
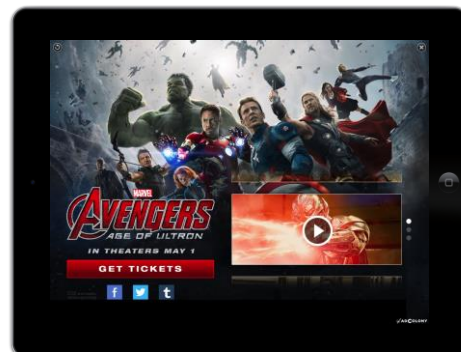

- Disney earmarks a quarter of a million for Opera Mediaworks to promote the new Pixar title *Inside Out.*

- **Opera House develops first to market Emotional Selfie creative**. Facial recognition technology analyzes user's emotion in selfie and matches with the most appropriate emotion character.

- Engagement is **2x higher** than benchmarks and *Inside Out* was **#2 at the box office opening weekend.**
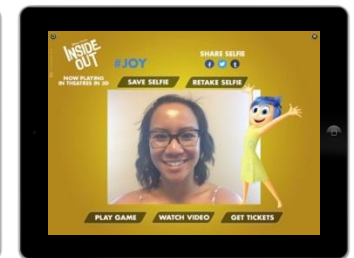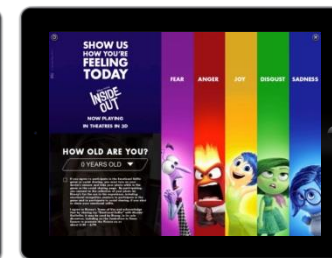
NATIVE
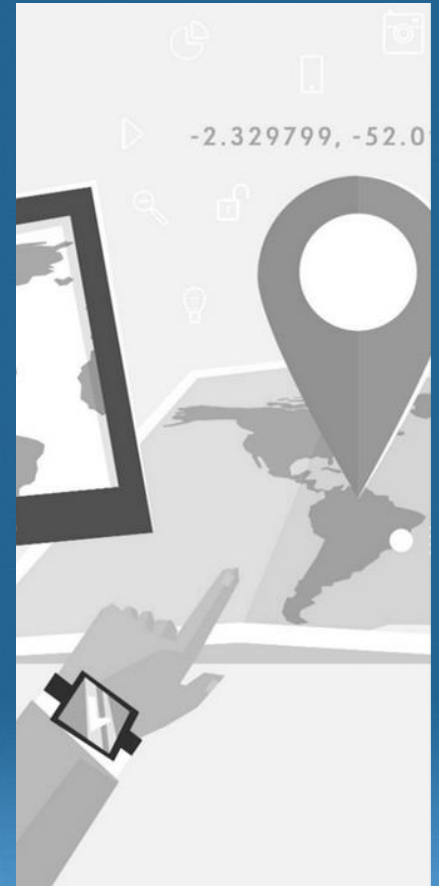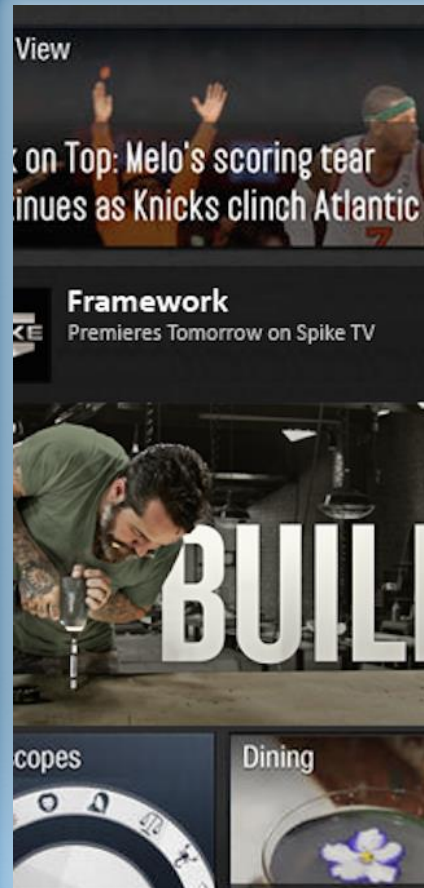
# Delivering Results for Mobile-First, Native Video Storytelling

Collaboration: **Native Video Project** results with comScore for **industry-first study on effectiveness of mobile-first, purpose built video creative for native video environments.**

Early results are extremely promising and validate our hypothesis that building video creative specifically for mobile, delivers results superior to re-purposed TV creative.

Brands that spend millions of ad dollars on traditional TV spots are leveraging Opera Mediaworks' native video advertising capabilities to extend reach & drive action.

Moreover, purpose built native mobile videos performed 2x better than non-mobile optimized videos & saw a 7x higher engagement rate than display.
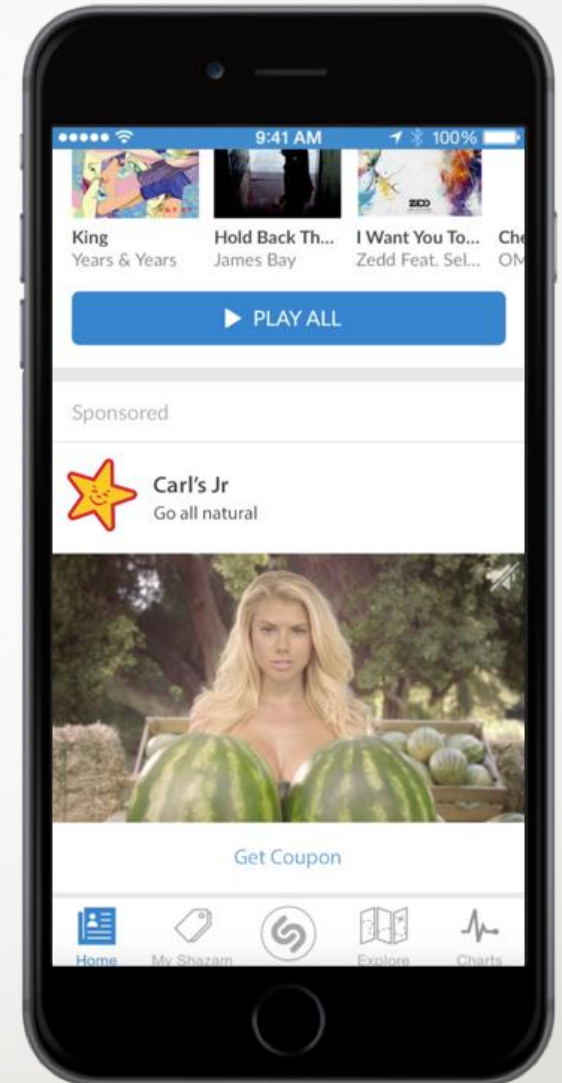
Opera Software Synergies

Ad monetization of owned & operated properties and services expands

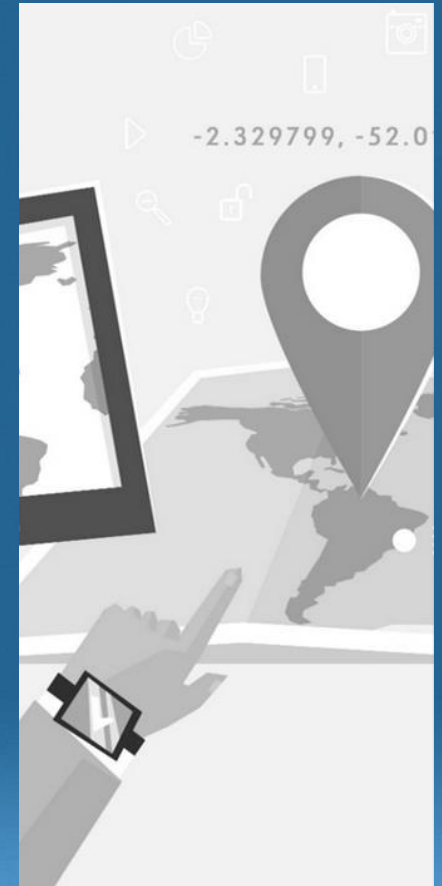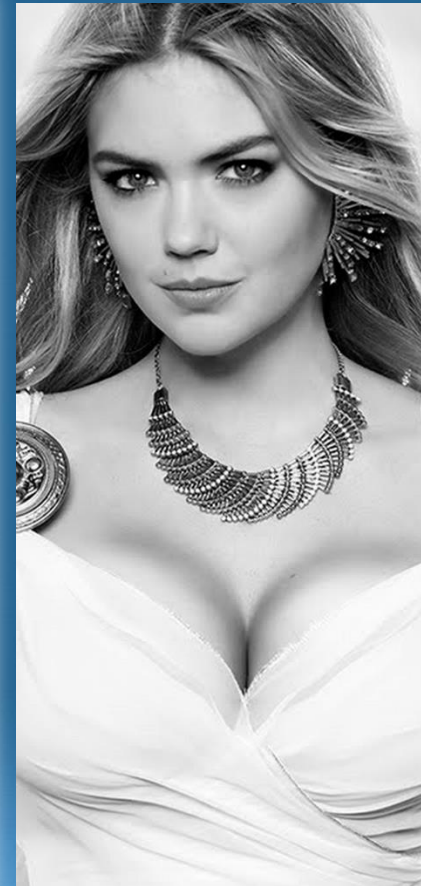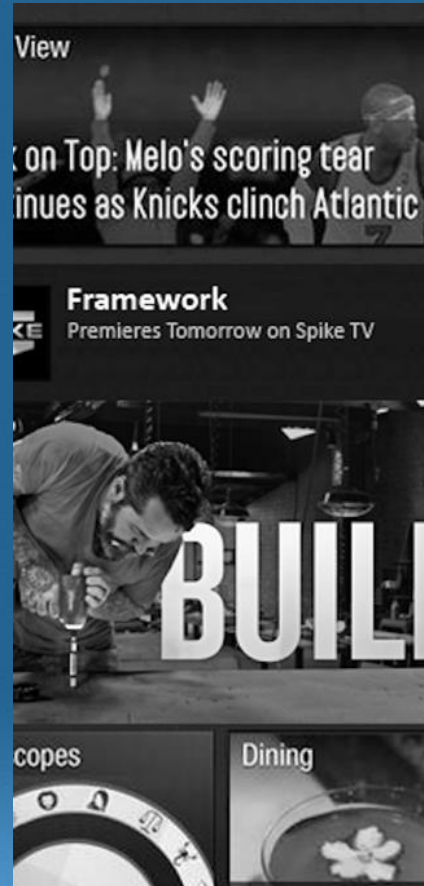**Opera Mini 10 has native rich-media and video ads in launch screen and "Discover Feed"**

GameInsidr BETA launch with ad SDK to deliver ad monetization to publishers

Strong demand for Opera browser inventory in Asia and Africa

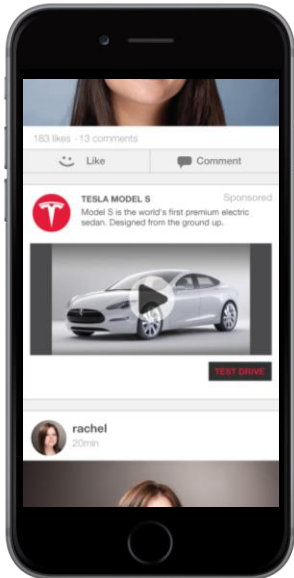PROGRAMMATIC

Leading with Programmatic: Quality + Scale

Several significant initiatives established Opera Mediaworks' position in the programmatic space with a **focus on quality, scale and differentiation**
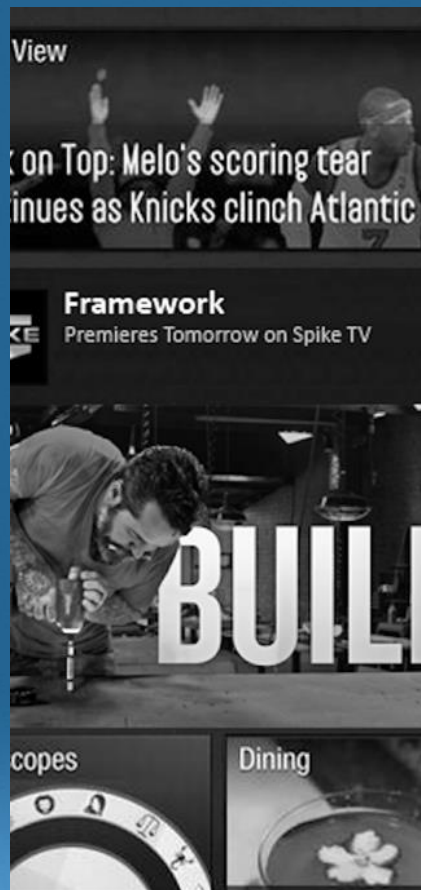

- 55% of all OMW ad requests are exposed to programmatic bidders

- 10% of all ads dollars came form a programmatic demand source

- Strong demand for OMW managed inventory
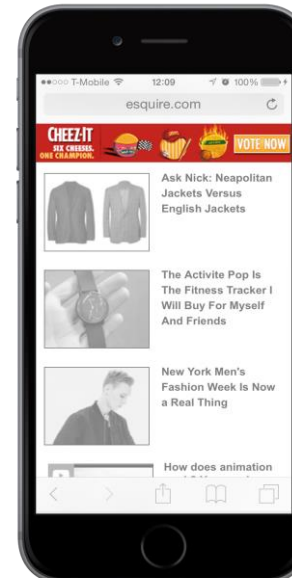
- Revenue from programmatic partners in Q2 increased by 6x from May to June

- Instant-Play Video Exchange live in Private Alpha

PERFORMANCE

The Top Global Platform for App Installs via Mobile Video

Opera Mediaworks continues to establish its lead as the leading mobile video platform for driving app installs in terms of quality and quantity.

Q2 2015 vs. Q2 2014

+79%
of total advertisers

+133%
of > $1mm advertisers

Q2 2015 vs. Q1 2015

+22%
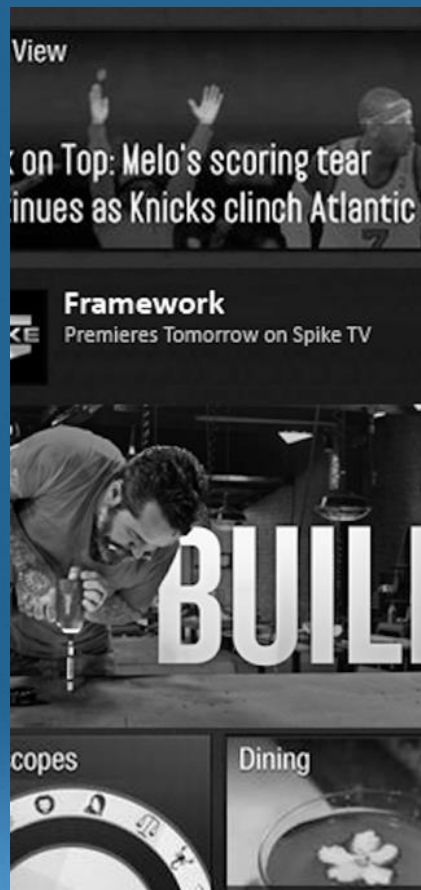# of total advertisers

+40%
of > $1mm advertisers

Opera also saw quarter-over-quarter growth of 3x for campaigns worth $5 million or more & new account growth of 30%.

MEASUREMENT

Moving Mobile Measurement Forward

Opera Mediaworks launched two new measurement partnerships in Q2.

MasterCard Advisors provides real-time transaction data and analysis. MasterCard Media 1) Measures the impact an ad campaign has on sales compared to an audience segment not exposed to the ad 2) provides insights to help advertisers understand their campaign's audience composition

Datalogix connects offline purchasing data to digital media to improve audience targeting and measure sales impact. Datalogix Buy-through rate studies measure the offline sales impact an ad campaign has on sales compared to an audience segment not exposed to the ad.

Optimistic for 2H 2015 & Beyond

- <u>Realignment:</u> Focused on overcoming challenges in slower growth segments

- <u>Brand Advertising</u>: Scaling small campaigns to larger IOs. Restructuring sales force towards mobile video

- <u>Performance Advertising</u>: Customers shifting title launches & spend to 2H

- <u>International</u>: Expanding investment in high growth markets

- <u>Strategic partnerships</u>: Several new partnerships forming to grow premium publishing platform for broader reach domestically and internationally

Announcing Today: A Complete Marketing Automation Platform for App Developers

Yvolver platform & team will become a part of Opera Mediaworks and the technology stack will be integrated into the Opera Mediaworks SDK

Delivering real-time player management & live services including:

- Advanced loyalty marketing
- Monetization and marketing analytics
- A/B Testing
- Advanced segmentation
- In-app-purchase validation
- Digital and physical rewards
- Dynamic UIs with seamless native integration