

OPERA

QUARTERLY REPORT
THIRD 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.



Financial Highlights 3Q15

	Financial metric	3Q15 (\$m)	3Q14 (\$m)
Revenue	Total revenue	149.4	138.8
Profitability	Adj. EBITDA*	27.5	33.9

- Revenue and Adjusted EBITDA in line with guidance
- Strong Operating Cashflow



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

3Q15 Actuals versus Guidance

	3Q15 Actuals(\$m)	3Q15 Midpoint Guidance* (\$m)
Total revenue	149.4	150.5
Adj. EBITDA**	27.5	27.0

Excluding the adverse impact of changes in foreign exchange rates post our 2Q15 report, revenue would have been above \$150m in 3Q15



*Provided at 2Q15 Presentation (August 12th, 2015)

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

FINANCIAL REVIEW

QUARTERLY REPORT

THIRD QUARTER 2015

A note from our lawyers

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Financial Highlights 3Q15

	Financial metric	3Q15 (\$m)	3Q14 (\$m)
Revenue	Total revenue	149.4	138.8
Profitability	Adj. EBITDA*	27.5	33.9
Cash generation	Operating Cash Flow	20.1	18.2
	Free Cash Flow**	15.4	12.9

Excluding the impact of year-over-year changes in foreign exchange rates, revenue would have increased by 17% (to approximately \$163m)



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

** Operating Cash Flow less capital expenditures and capitalized R&D costs

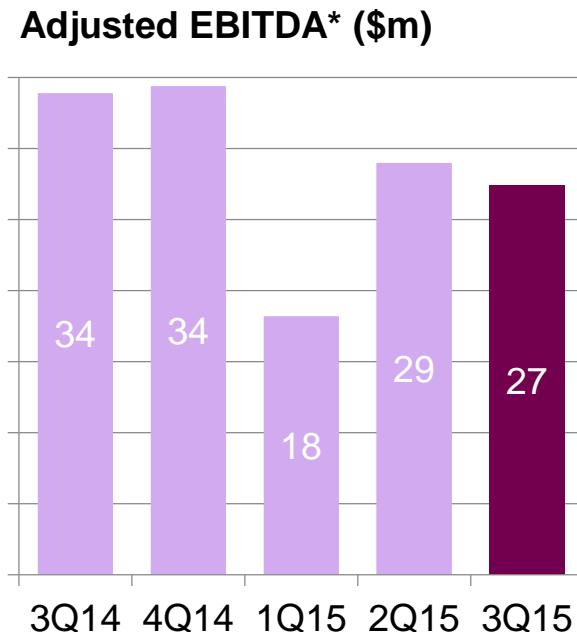
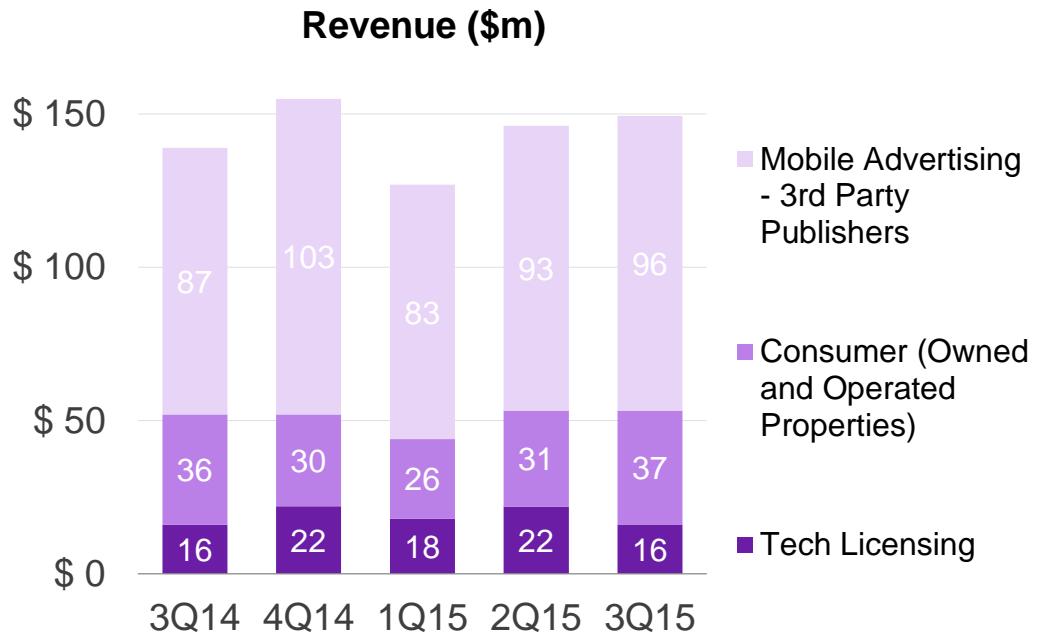
3Q15 Financial Review

\$m	3Q15	3Q14	Q on Q
Revenue	149.4	138.8	8%
Publisher and revenue share cost -	58.8	43.9	34%
Payroll and related expenses -	37.7	39.1	-4%
Stock-based compensation expenses -	0.8	4.5	-81%
Depreciation and amortization -	15.7	10.0	57%
Other operating expenses -	25.4	21.9	16%
Total expenses** =	138.4	119.3	16%
Adjusted EBITDA*	27.5	33.9	-19%
EBIT**	11.0	19.5	
Net Income	-17.2	-11.7	
EPS (USD)	-0.118	-0.082	
Non - IFRS Net Income	17.4	19.8	
Non – IFRS EPS (USD)	0.120	0.139	

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

** Excludes one-time costs

Financial Highlights: 3Q14 – 3Q15



Revenue: Customer Type 3Q15

Revenue within guidance range

Customer Type	3Q15 (\$m)	Change vs 3Q14	Comments
Mobile Advertising - 3rd Party Publishers*	96.2	+11%	In line with expectations
Consumer (Owned and Operated Properties)	37.1	+4%	In line with expectations
Tech Licensing	16.1	Flat	In line with expectations



*3Q15 vs. 3Q14 pro forma revenue growth of -3% (pro forma includes AdColony for 3Q14)

Mobile Advertising - 3rd Party Publishers

Customer Type	3Q15 (\$m)	Vs 3Q14 (\$m)*	% Growth	Comments
Instant Play Performance	40	+0	+1%	Solid trend, 3Q14 very strong
Instant Play Brand	13	+5	+63%	Strong growth
Non-Instant Play Performance	11	-8	-39%	Weak
Non-Instant Play Brand	31	-1	-3%	Stable
Total Mobile Advertising - 3rd Party Publishers	96	-3	-3%	In line with expectations



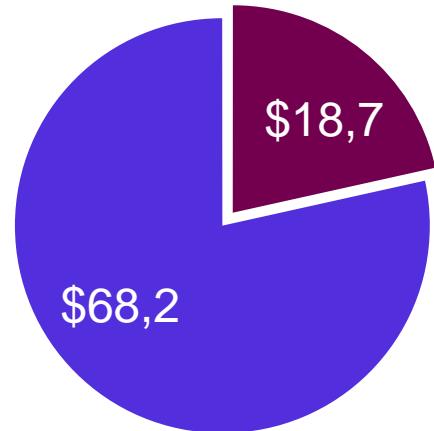
*Pro forma includes AdColony for 3Q14

Mobile Advertising - 3rd Party Publishers

Much broader revenue distribution in 3Q15 vs 3Q14

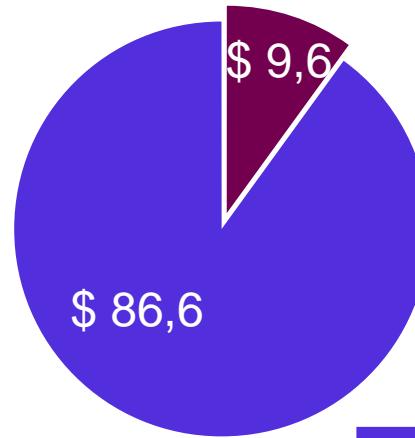
3Q14 (\$m)

- Top 2 customers ■ All other customers



3Q15 (\$m)

- Top 2 customers ■ All other customers



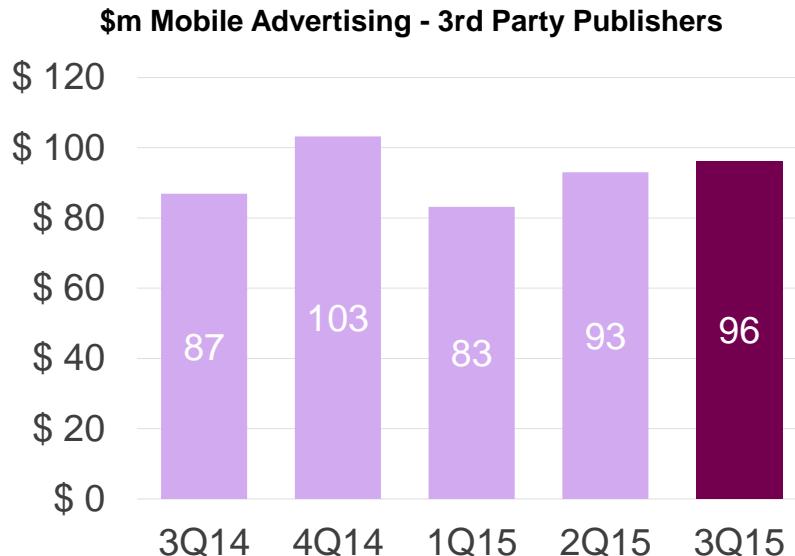
Revenue
up 27%
from all
other
customers

Revenue: Mobile Advertising - 3rd Party Publishers

Mobile Advertising - 3rd Party Publishers revenue in line with expectations

Revenue growth was driven primarily by increased AdColony 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



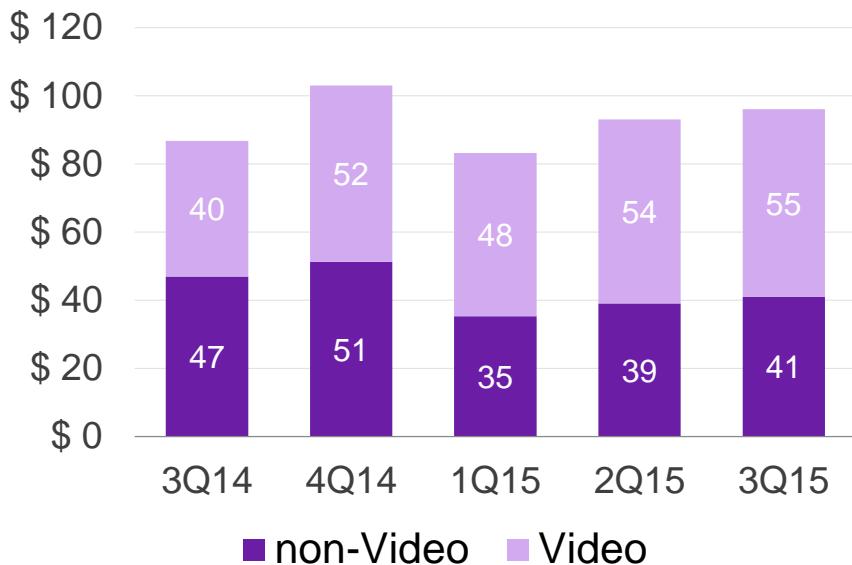
Top 5 Brand Verticals 3Q15

1. CPG / FMCG
2. Entertainment
3. Technology/Consumer Electronics
4. Automotive
5. Healthcare

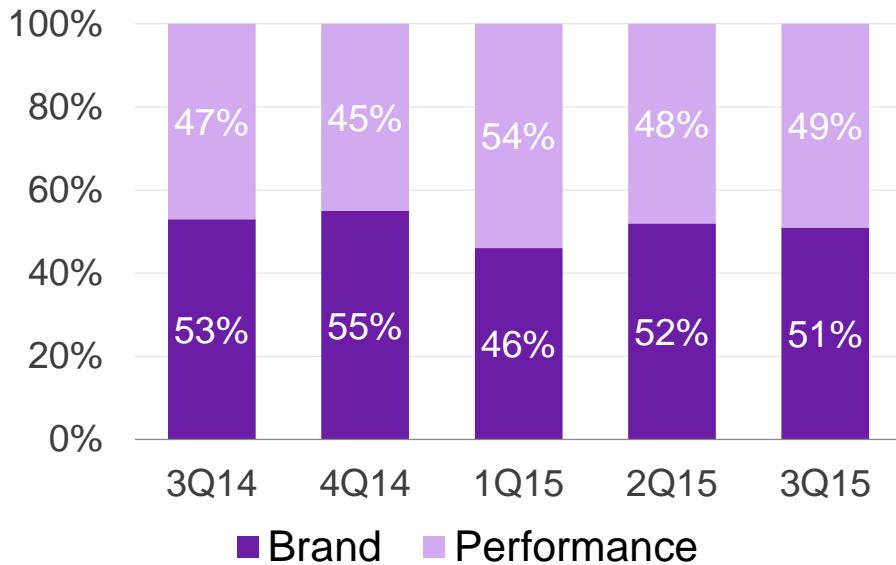
Mobile Advertising - 3rd Party Publishers

Video Accounted for 57% of total Mobile Advertising (3rd PP) in 3Q15

Video vs. non-Video (\$m)



Brand vs. Performance



Revenue: Consumer - Owned and Operated Properties

Consumer- Owned and Operated Properties revenue in line with expectations

Customer Type	3Q15 (\$m)	Vs 3Q14 (\$m)	% Growth	Comments
Mobile Browser	9.8	8.4	+18%	Strong
Apps and Games*	7.4	0.4	+1813%	Strong performance from Bemobi
Performance and Privacy Apps	0.7	0.0	N/A	Solid ramp from SurfEasy
Operator Co-brand Solutions	6.0	14.4	-58%	As expected
Desktop Browser	13.1	12.7	+3%	Solid ex FX
Total Consumer (O&O)	37.1	35.8	+4%	
Total Consumer (O&O)**	47.3	35.8	+32%	Solid growth

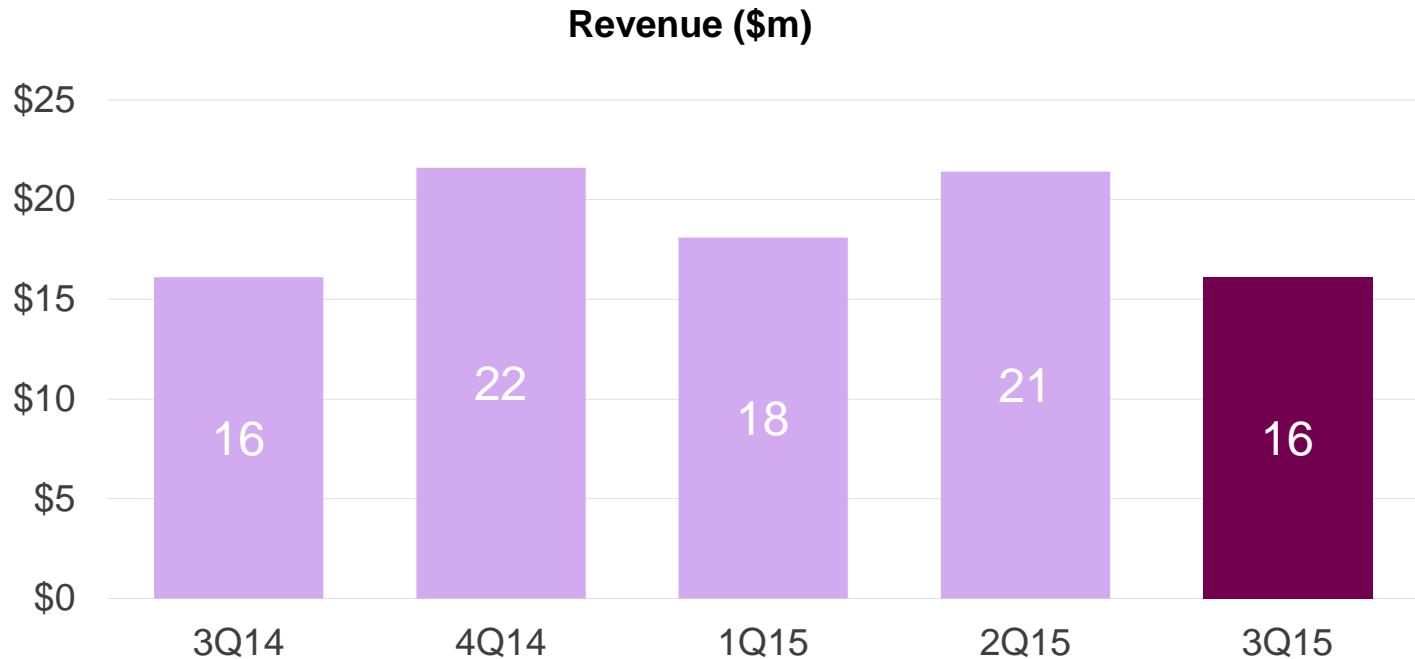


* Revenue from Bemobi was \$5.7 million in 3Q15

**Constant currency vs 3Q14

Revenue: Tech Licensing

Tech Licensing revenue in line with expectations



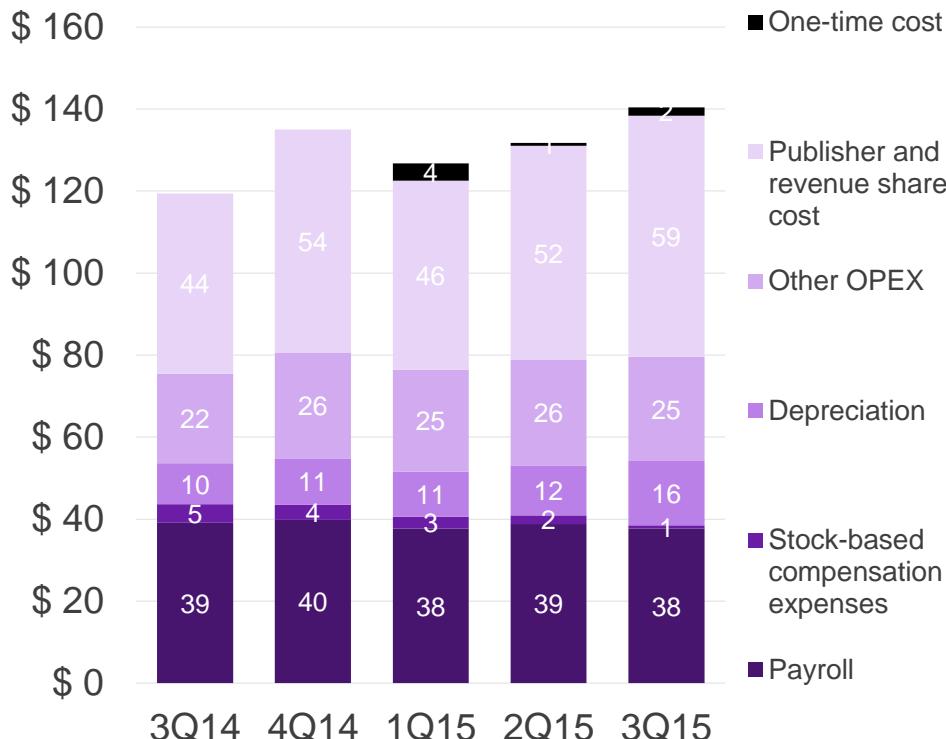


COST

QUARTERLY REPORT

THIRD QUARTER 2015

OPEX Development (\$m)



Cost line	3Q15 vs. 3Q14	Comments
Payroll	-4%	Higher headcount, offset by lower bonuses and FX tailwind
Publisher and revenue share cost	34%	Driven by growth in Mobile Advertising - 3rd Party Publishers and \$2.5 million related to Revenue Share Cost from Consumers (Owned and Operated Properties).
Other OPEX	16%	Marketing and hosting expenses key drivers
Depreciation & Amortization	57%	Higher investments in Opera Mini server infrastructure and depreciation on intangible assets related to acquisitions.
Stock-based compensation expenses	-81%	Lower performance assumptions for RSU's
Total Expenses*	16%	





OUTLOOK

QUARTERLY REPORT

THIRD QUARTER 2015

4Q15 Guidance

Metric	4Q15 Guidance
Revenue*	\$168 - 178m
Adj. EBITDA**	\$29 - 33m

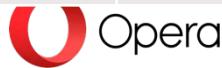


* Assumes FX rates as of November 10th 2015

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

4Q15 Guidance Overview

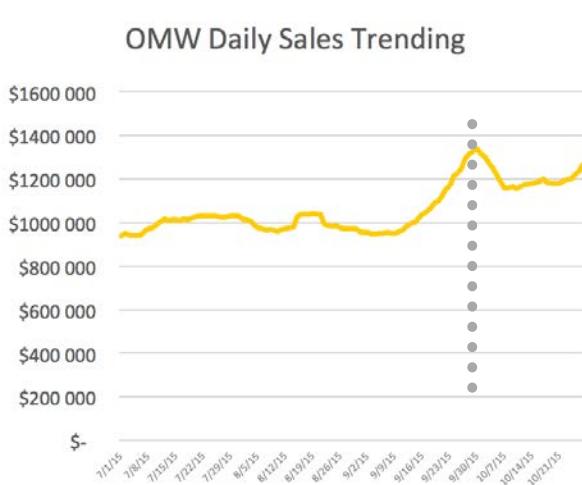
		Vs. 3Q15*	Comments (Outlook)
Revenue	Mobile Advertising - 3rd Party Publishers	Up	Strong growth from both Brand and Performance businesses
	Consumer (Owned and Operated Properties)	Up	Solid search and mobile advertising revenue growth. Includes a full quarter of Bemobi revenue
	Tech Licensing	Down	Solid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



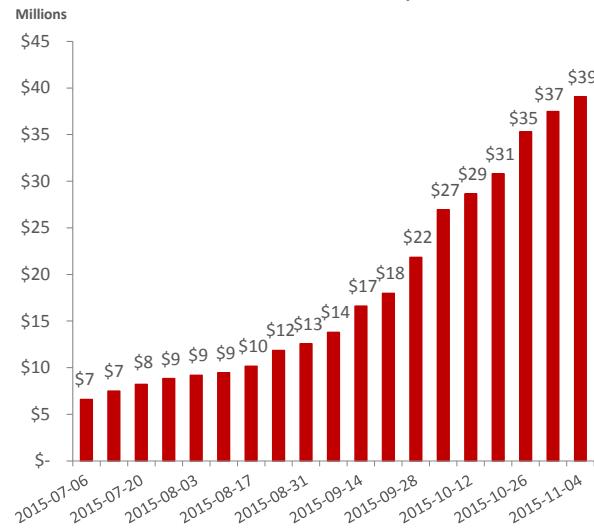
Context for 4Q15 – Mobile Advertising – 3rd PP

Daily media sales trending, US Brand pipeline and sales force

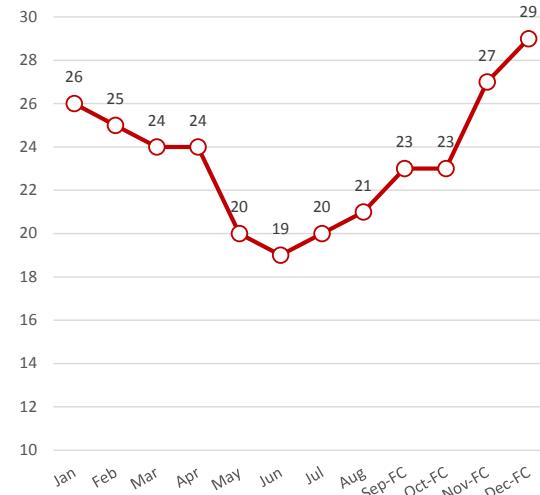
OMW Daily Sales Trending



US Brand – Q4/15 Pipeline Growth



US Brand - Active Sellers by Month



- Strong finnish to 3Q15 and strong QTD
- Compounded value of globally diverse business

- Brand pipeline gaining momentum
- Potential upside if strength continues

- Sales force replenished
- Building for growth in 2016

2015 Guidance

Metric	Old*** 2015 Guidance	Updated 2015 Guidance*
Revenue	\$600-618m	\$590-600m
Adj. EBITDA**	\$108-118m	\$104-108m

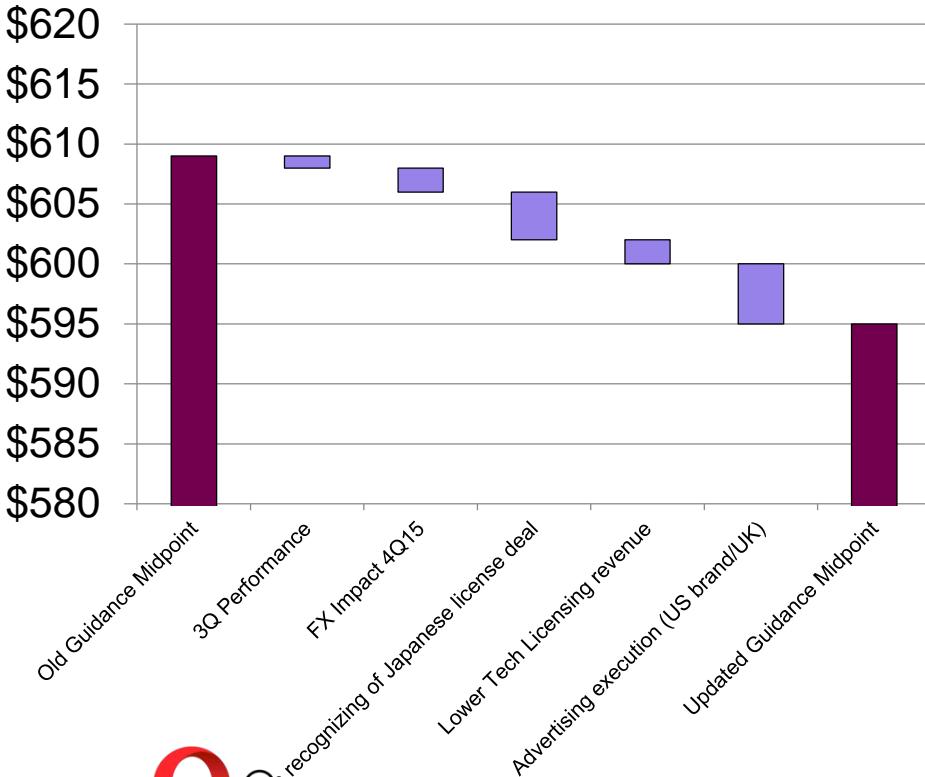
* Assumes FX rates as of November 10th 2015

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

***Guidance given at 2Q15 presentation August 12th 2015



Bridging 2015 Midpoint Guidance



Item	Revenue*	Adj. EBITDA*
3Q15 Performance	-\$1m	-\$6m
FX Impact 4Q15	-\$2m	
Revenue recognition of Japanese license deal	-\$4m	
Lower Tech Licensing revenue	-\$2m	-\$1m
Delay in advertising execution (International)	-\$5m	
Total	-\$14m	-\$7m



*Vs guidance given at 2Q15 presentation August 12th 2015

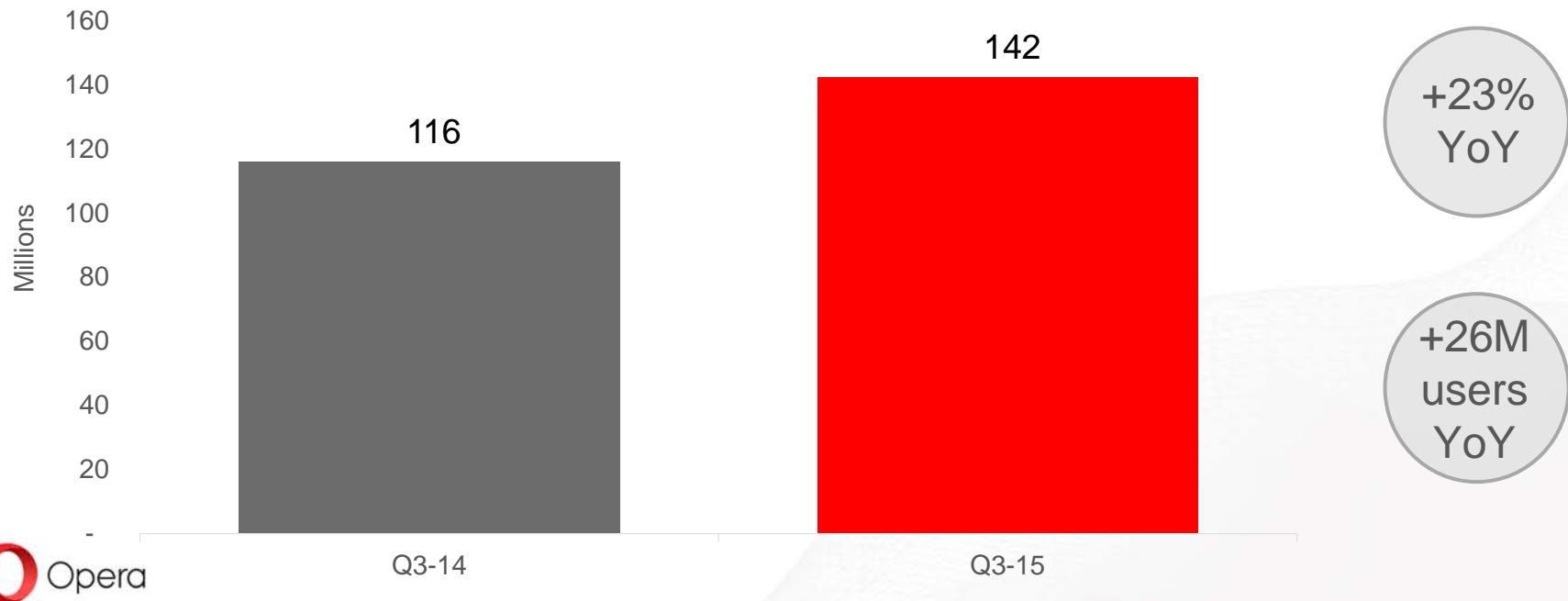
OPERATIONAL UPDATE

- Browser Products
- Performance & Privacy
- Apps & Games

BROWSER PRODUCTS

Android: 142M MAU in end of 3Q

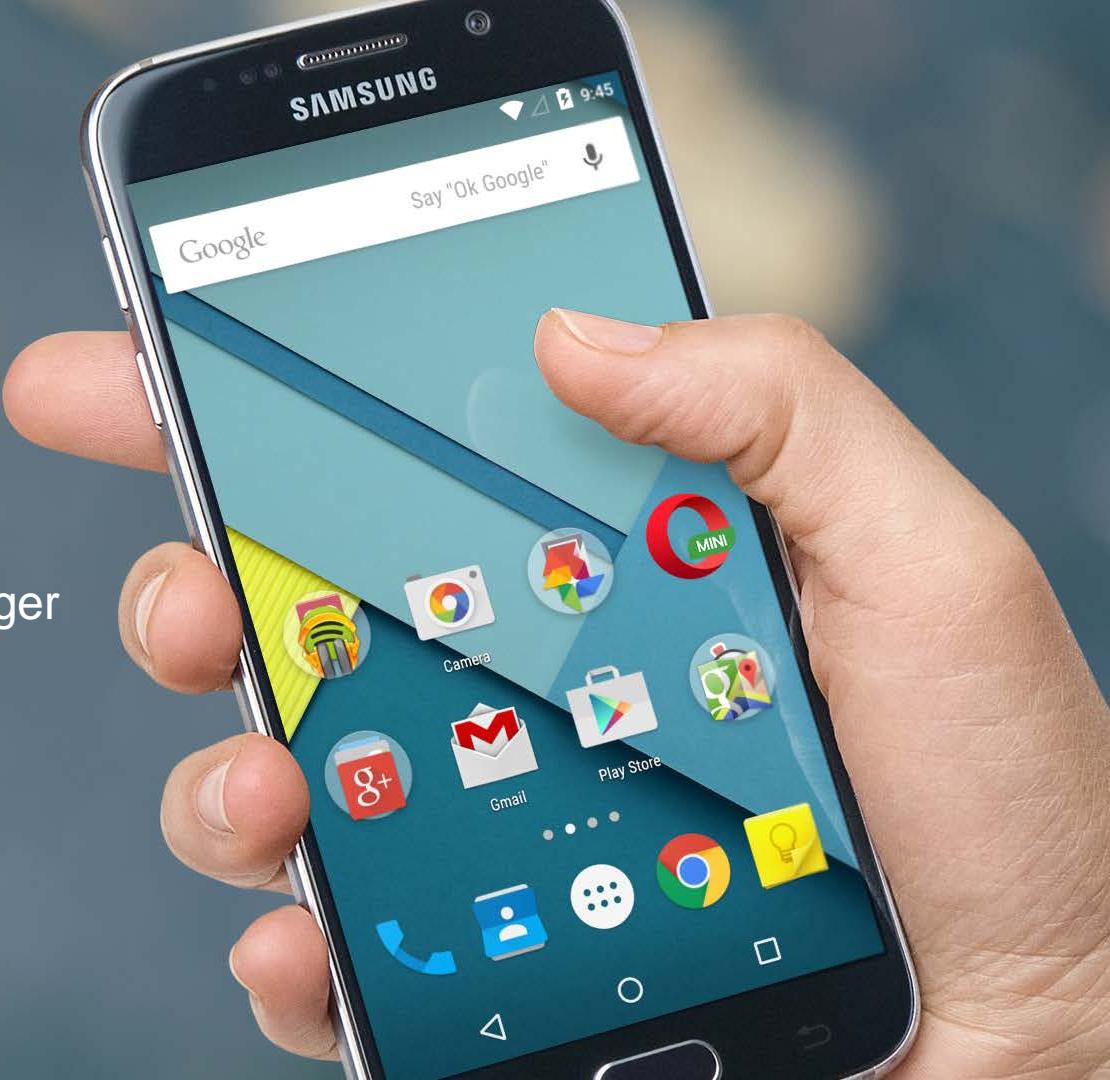
Strong October with 144M MAUs





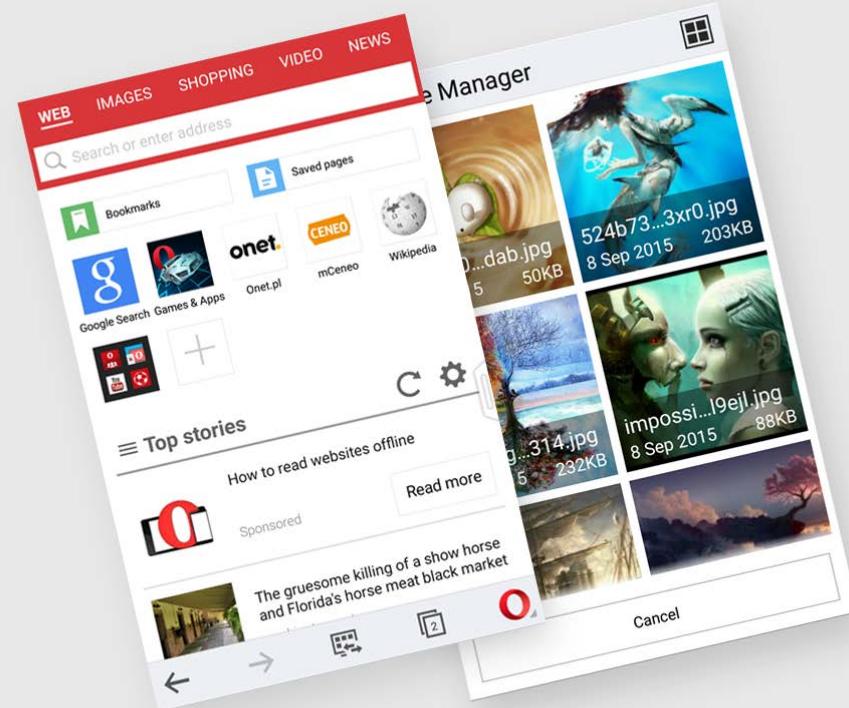
Opera Mini

- New Turbo Technology
- Improved Download Manager
- Improved Tab Switcher



Opera Mini Monetization Roadmap

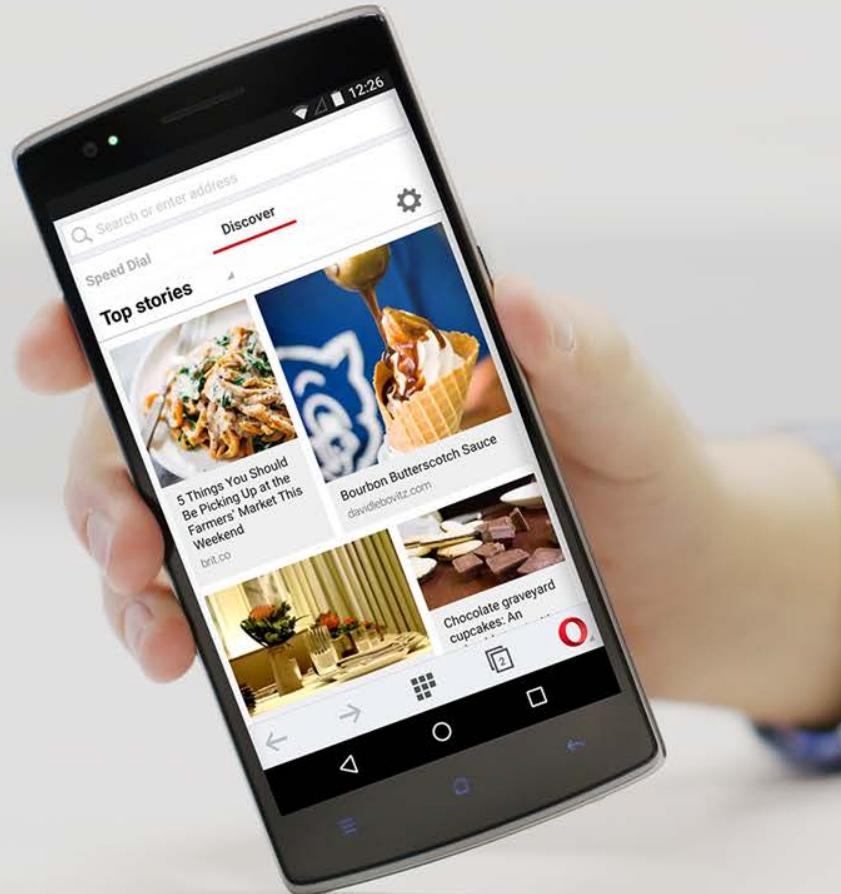
- Better search experience
- More speed dials and adapted to small & large phone types
- More valuable ad formats, including video being added





Opera for Android

- Installable web apps give app-like look-and-feel to web sites
- Integrated Video compression
- Enjoying strong growth

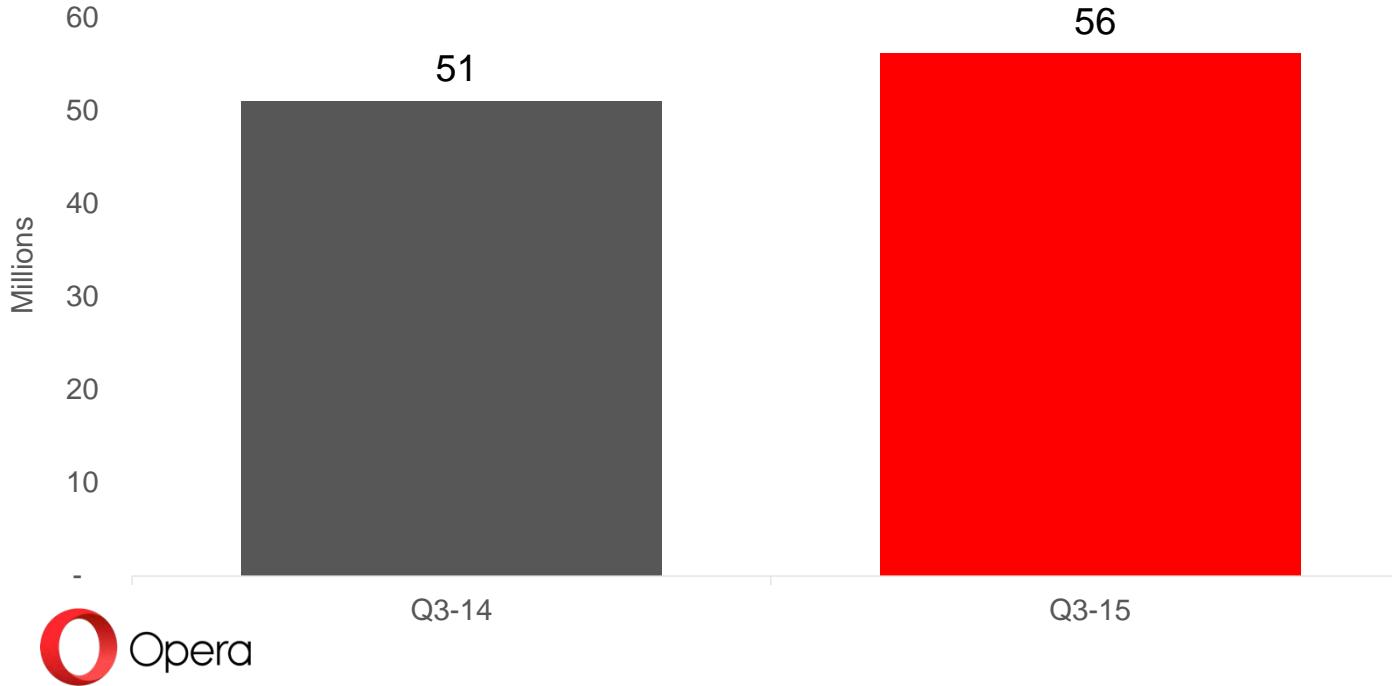




Opera for Android will be pre-installed on Parrot's
Rear Seat Entertainment system for Porsche



Desktop 56M MAU in Q3



+10%
YoY

+5M
users
YoY



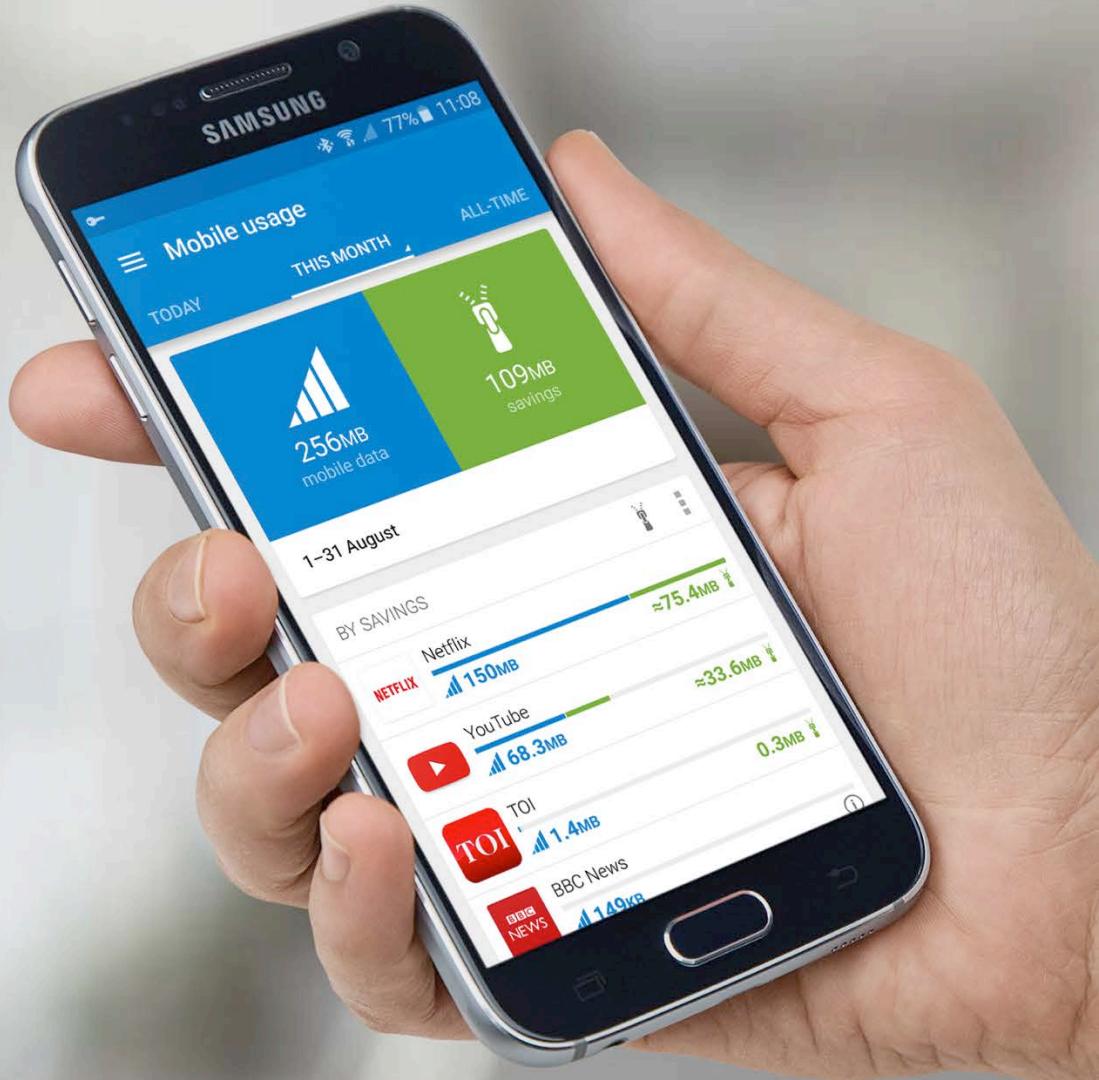
PERFORMANCE & PRIVACY

A large, abstract graphic element consisting of several thick, wavy lines in shades of red, orange, and yellow. These lines are set against a dark, solid background and are angled from the bottom left towards the top right, creating a sense of motion and depth.



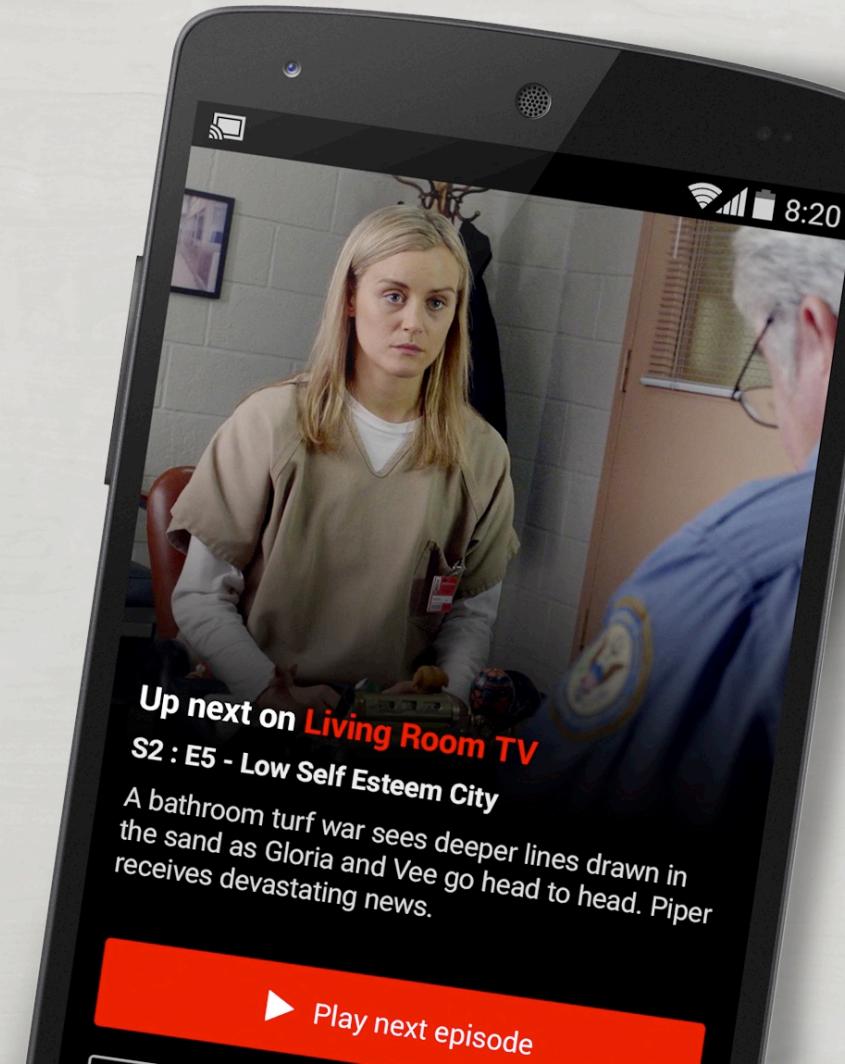
Opera Max

- Video Compression
- Audio Compression
- Most advanced Media Optimization Cloud technology in the market

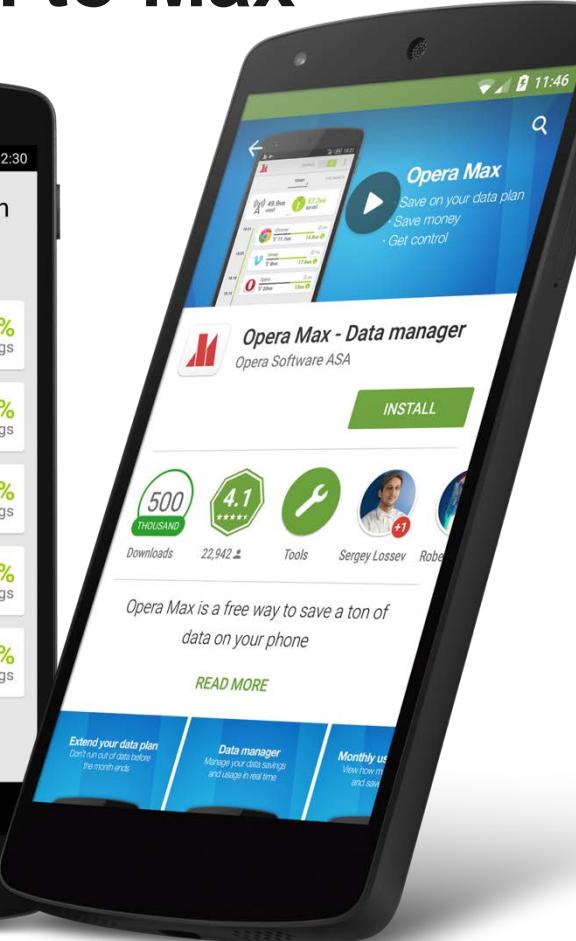
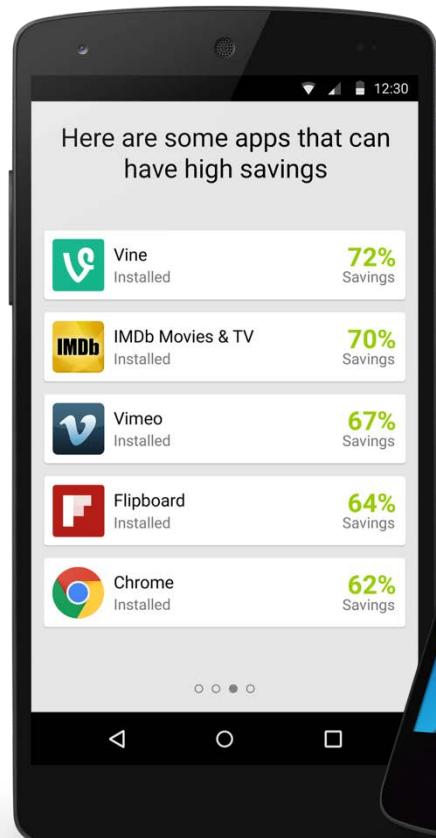
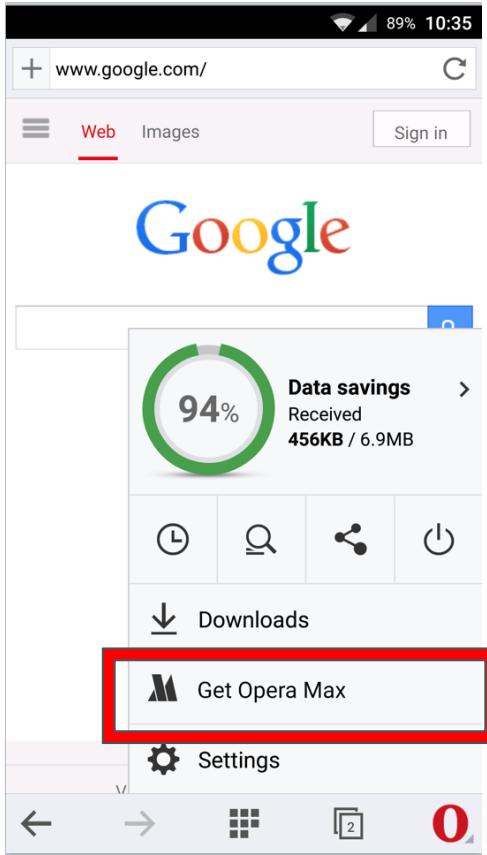


Why is Max important?

- . Max allows us to stay in touch with our users across any app or browser.
- . Max creates a platform for rich audience analytics, targeted recommendations and contextual cross promotion of apps & services.
- . Strong Global Relevance

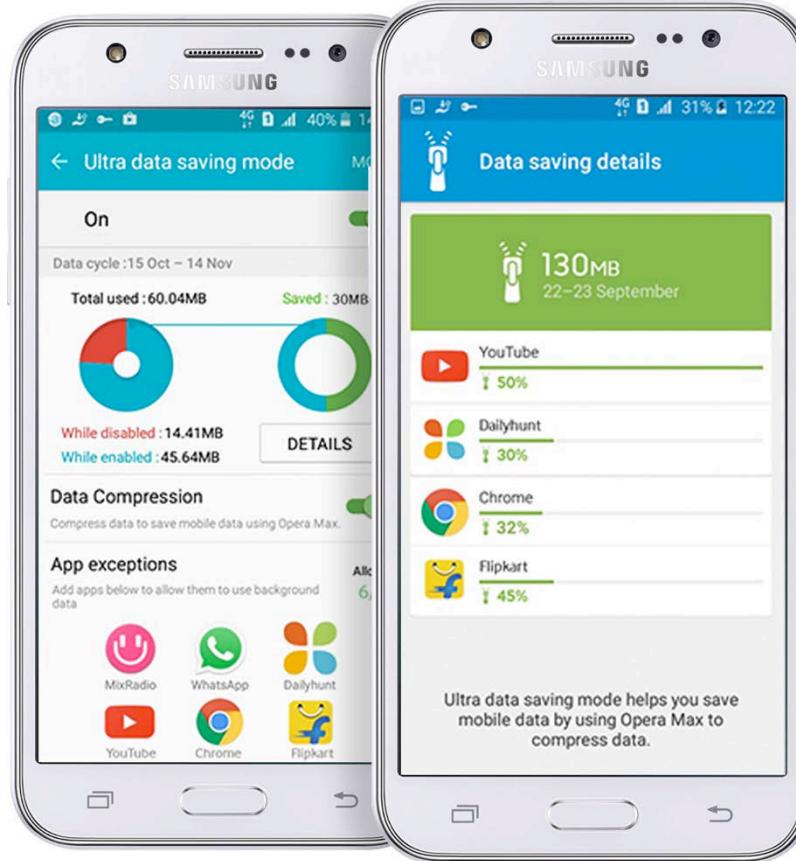


Cross Promo user flow from Mini to Max



Max plus Samsung

- Tight integration onto the Operating System
- #1 Sales record for first month for Samsung India



Max OEM Partners: 14

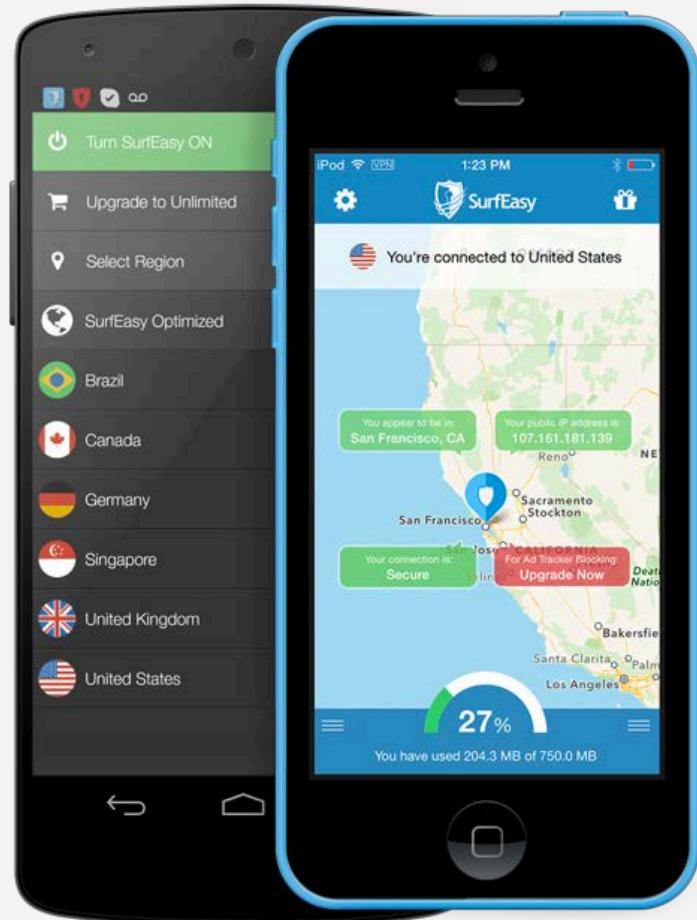


3 MILLION
MONTHLY ACTIVE USERS



Surf Easy Product Update

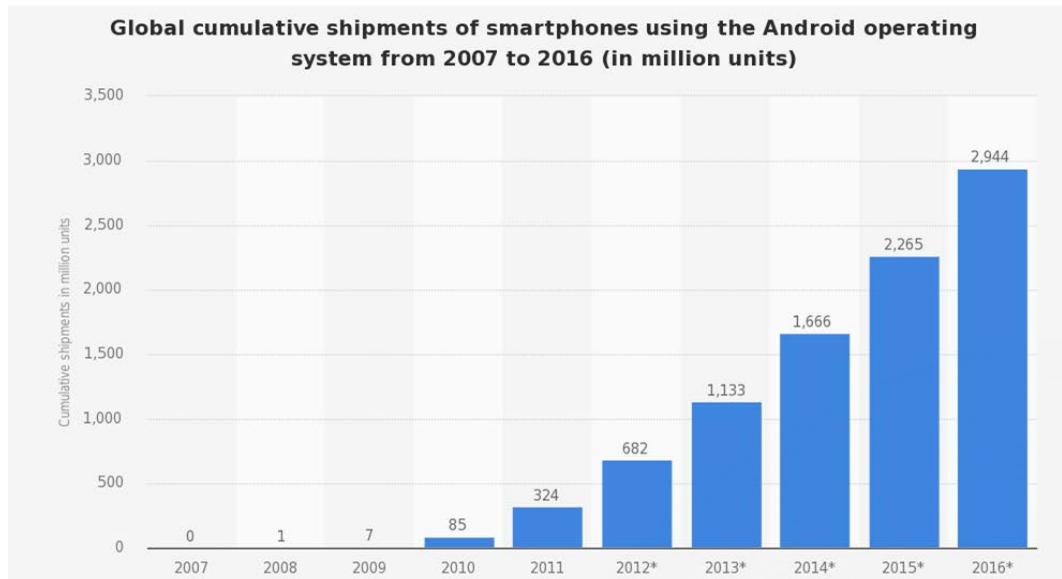
- Deal with Intersections Inc
- SurfEasy extension for Desktop browser
- Best ranked VPN
- Opera branded VPN to be launched



APPS & GAMES

Android dominated the smartphone world

During the next two years, 1.4 billion Android devices will be shipped.



Source: iSupply Statista 2014

Emerging Markets: Monetization Gaps

Despite the download leadership no emerging markets appears within the top 10 countries in revenues for apps.

 Google Play App Downloads			 Google Play App Revenue		
Rank Q1 2015	Country	Rank Change vs. Q1 2014	Country	Rank Change vs. Q1 2014	
1	United States	-	Japan	-	
2	Brazil	-	United States	-	
3	India	▲2	South Korea	-	
4	Russia	▼1	Germany	-	
5	Mexico	▲1	Taiwan	▲1	
6	Turkey	▲1	United Kingdom	▼1	
7	South Korea	▼3	Hong Kong	▲1	
8	Indonesia	▲1	France	▼1	
9	Thailand	▲2	Australia	-	
10	Germany	▼2	Canada	▲1	

As featurephone users migrate to Smartphones, mobile carriers are being disintermediated from the new App value chain

Featurephone Mobile Walled Garden (Operator Deck)



50%

Smartphone App Stores



70%



0%



30%



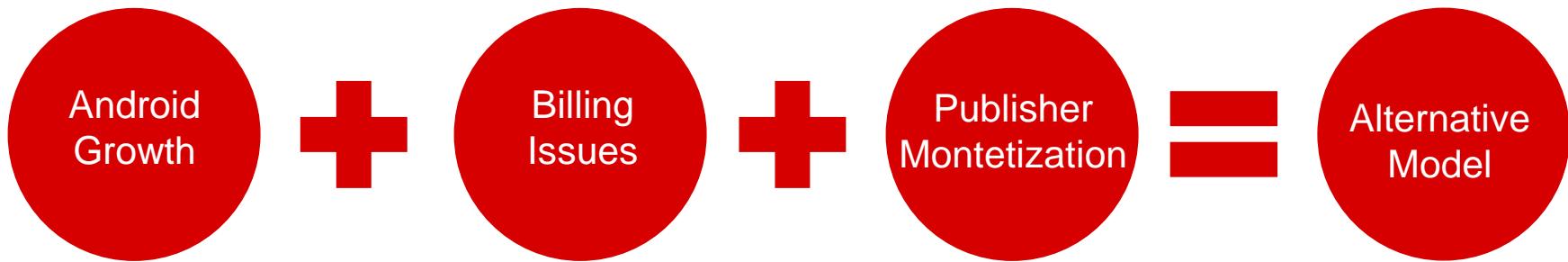
50%



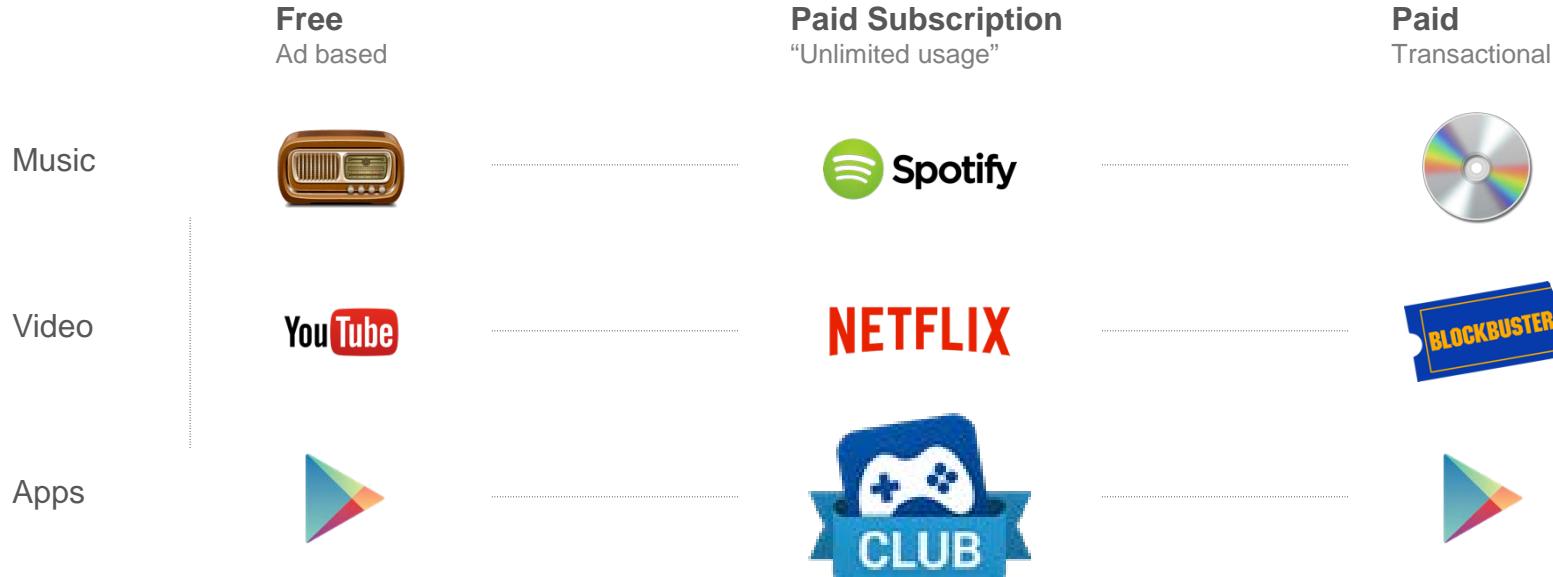
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Opera

Our Opportunity To Innovate

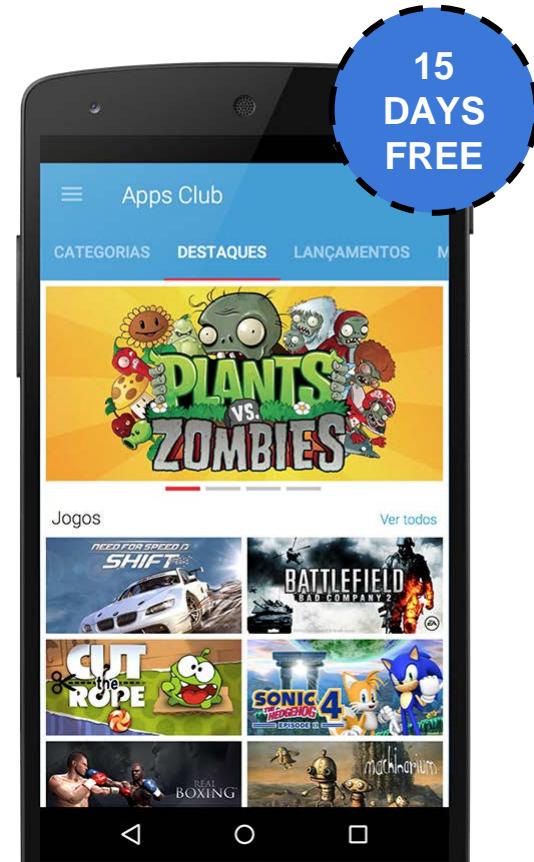


Bemobi Apps Club- The Netflix for Apps



The Apps Club

- Top premium paid apps, complete without ads
- ★★★★ stars and above apps and games only
- No need for credit card
- More value for the money - over \$2000 of paid apps for only ~\$1-2/ month
- No need for a data plan to download new apps
- 15 day period of free trial
- Complements the existing Free & Pay per Download model from Google Play

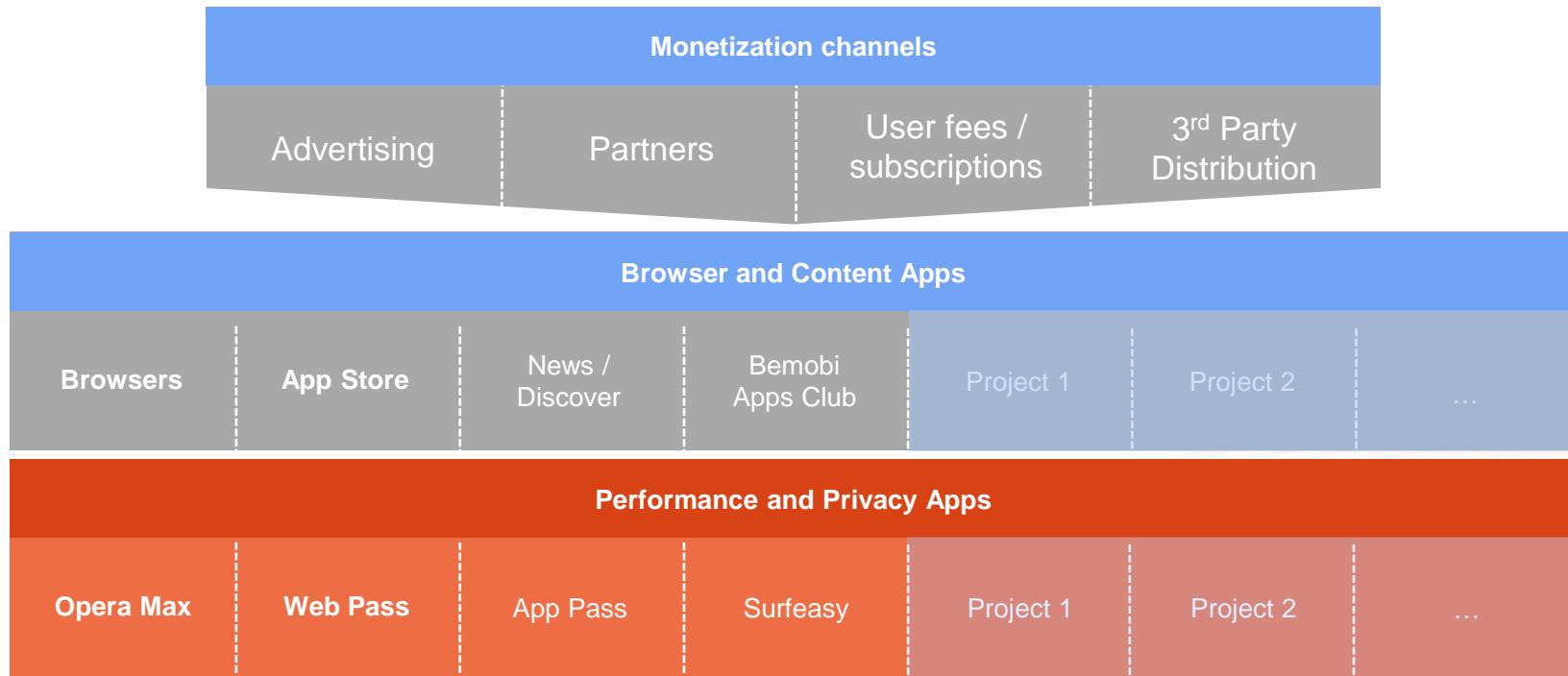


Initial momentum

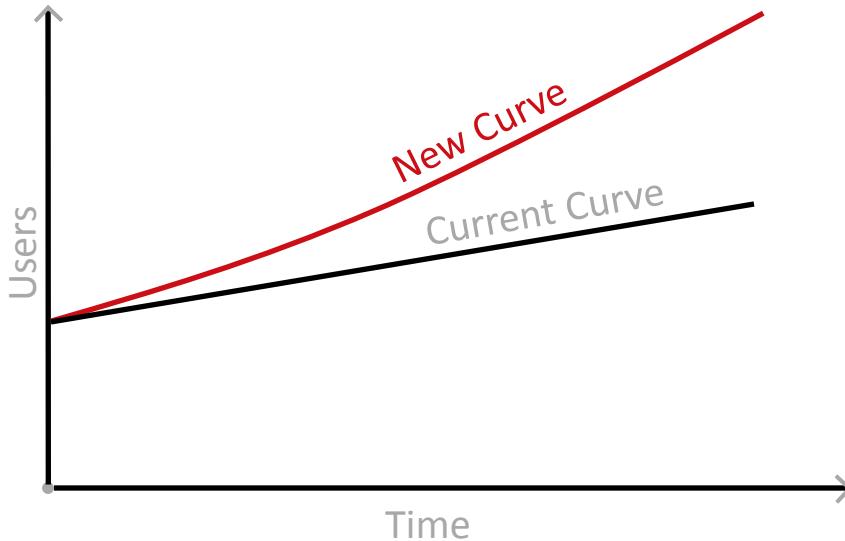
- Live in Latin America
- Excellent publisher feedback and monetization



Our Eco-System



An extensive portfolio will help us accelerate our growth curve even more



Distribution drivers

- **Cross-promotion:** Using the browser to promote new apps
- **Organic downloads:** Driven by our strong brand
- **OEM distribution**
- **Operator distribution**
- **Paid online distribution**
- **Partnerships** with other trusted Internet players

Our Google Play Position

- Top 25 ranked Google Play publisher
- High ranking in core markets
- All apps rated 4.3 with 'Top Developer Badge'



TECH LICENSING

Rocket Optimizer

- Selected by Tier 1 Operator Group in EMEA
- First country targeted to go live in Q1 2016
- 3 additional countries to go live during 2016



Opera Device SDK:
Strategic deals extension
for multi-million units

The VESTEL logo is displayed in a large, bold, red sans-serif font, centered on a white rectangular background that is part of a larger white brick wall.

VESTEL

The Hisense logo is shown in a green sans-serif font. The letter 'H' is in orange, while the rest of the word 'Hisense' is in green.

Hisense



OPERA MEDIWORKS

Q3 2015

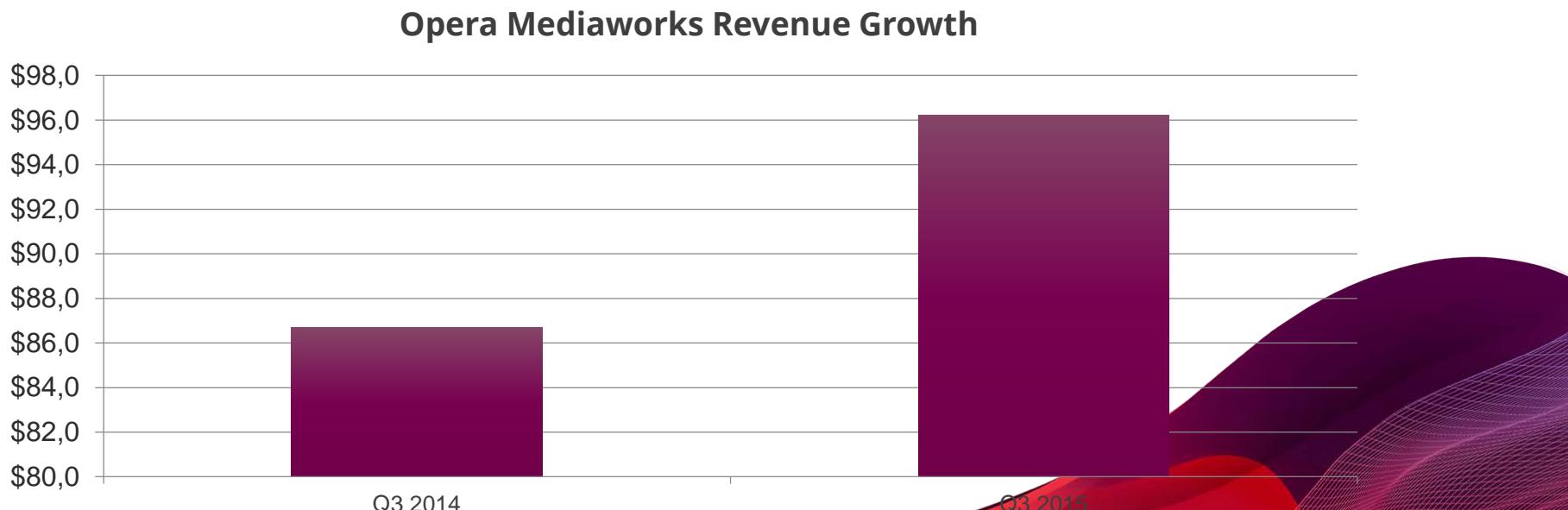
Executive Summary

- Focus was on overcoming execution issues
- July & August was soft but strong finish in September
- Great momentum and pipeline into Q4
 - AdColony Performance, and APAC delivered better than plan
 - Publisher (Supply) and US Brand were on plan
 - EMEA and LATAM facing headwinds due to weaker economies and local currency issues
- Despite a sluggish start, slower summer spend patterns & sales team revamp
 - we have overcome both internal and external issues

Executional & Industry dynamics

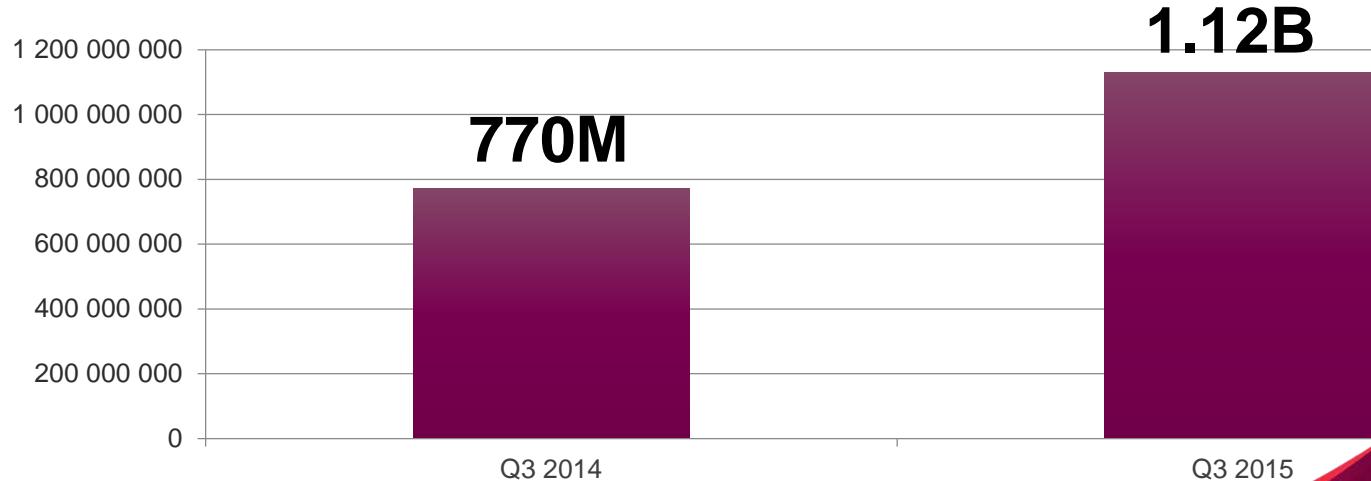
- Brand sales transition – team restructure resulted in a slower than anticipated start to 2015 brand sales; despite this transition we recognized and have overcome execution issues
- Slow growth for video programmatic - technology & infrastructure in place but 3rd party demand has been slow to ramp
- New releases delayed - compared to last 3 quarters of 2014, most releases have been pushed out to Q4 in 2015, back loading revenue

11% YOY Growth in Revenue

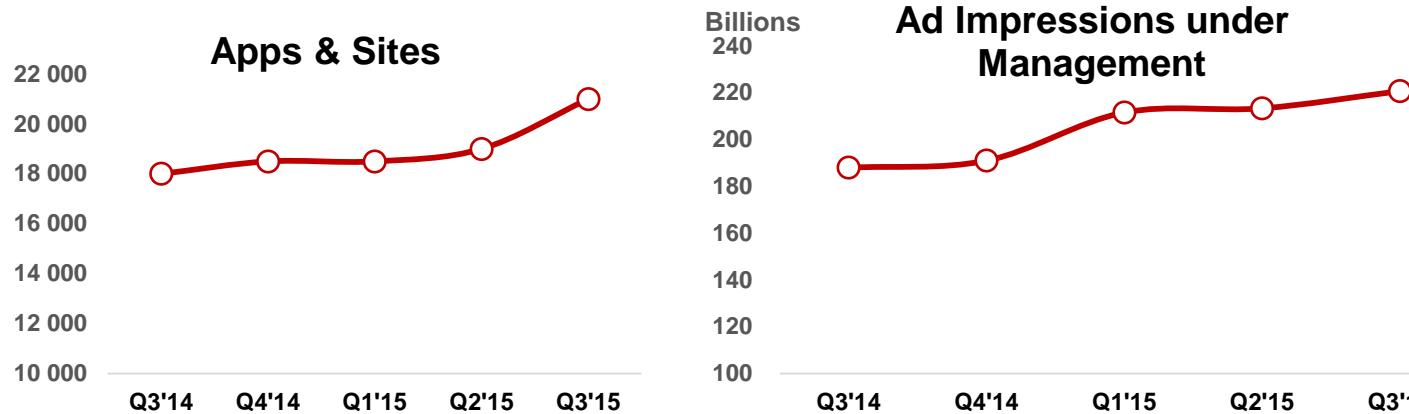


47% YOY Growth in Platform Reach

Opera Mediaworks Platform Reach (MAUs, Millions)



17% growth in Publishers and 17% Impressions under Management



New brands spend on mobile in Q3



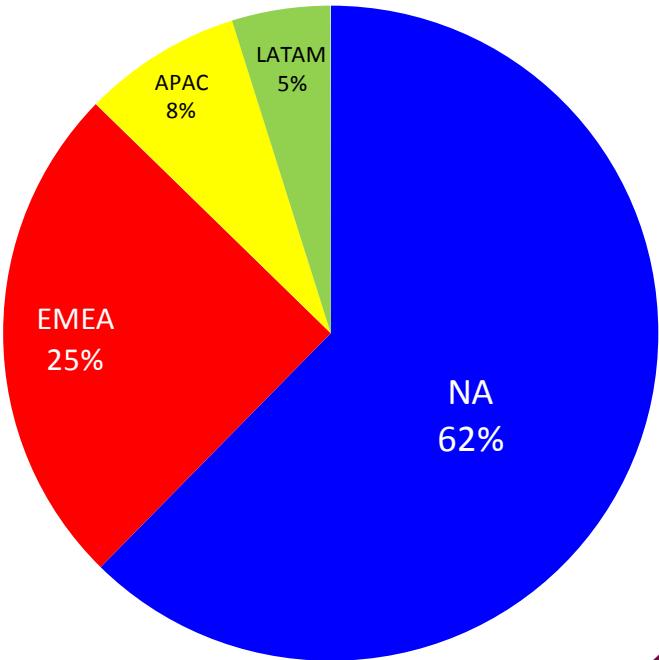
an NRG company



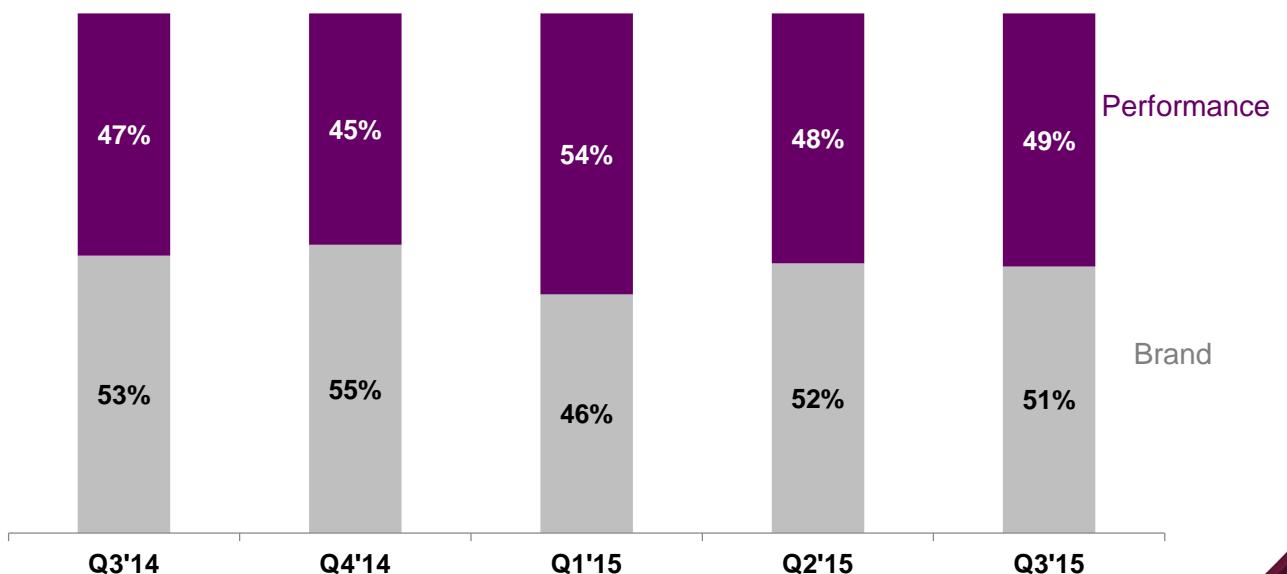


Revenue by Geography

International Revenues
have grown to 38 % in
Q3'15

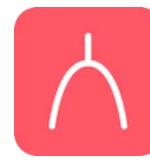


Performance is now 49% of the business

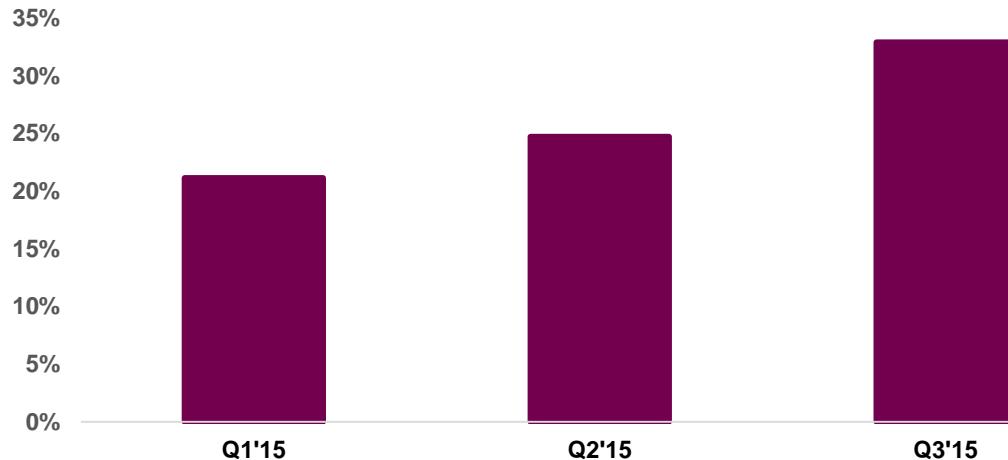


Highest Quality Publisher Growth

New publisher relationships solidified in Q3 gives Opera Mediaworks **more access and reach in the most popular apps worldwide**



Programmatic as a % of SSP (supply-side) Impressions continues to grow



Native Video Fund comScore Results

comScore findings show OMW's creative best practices for native mobile video yields superior results.



**Hook User in
First 2-3 secs**



**Quick Cuts
& Close Ups**



**Oversized Text &
Calls-to-Action**



**Make Sound
Secondary**

Results Up Close & Personal

Four brands closely followed our creative best practices; their campaigns excelled across nearly all metrics.

	Lift Over Control	Outperformed comScore Mobile Norm	vs. Aggregate
Mobile Ad Recall	+11 points		nearly 2x higher
Ad Uniqueness	+18 points	n/a	2x higher
Favorability	+12 points		3x higher
Likelihood to Recommend	+15 points		3x higher
Purchase Intent	+11 points		more than 2x higher

Revenue shift towards video continues

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

Q3 2014 vs. Q3 2015 YOY Share of OMW Revenue, Video vs. Non-Video

■ Non-Video ■ Video



Looking to the Future

- Brand: Record pipeline – October was the highest month in our history
- Performance: Achieving record revenue days
- Blend of Brand & Performance = strong monetization for publishers
- Our programmatic business is scaling and our programmatic Video offering is expected to follow that scale
- Major Announcement

A New & Important Partnership



- In Q3, we entered into a new agreement with AT&T
- Working with AT&T on a cross-screen addressable advertising trial that would expand addressable advertising to additional devices
- Largest addressable TV audience in the US
- Intersection of 12M homes and 285M mobile devices in the US

AT&T Perspective

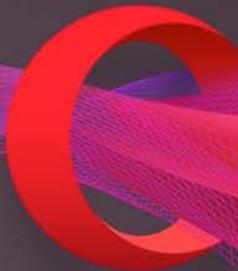


“AT&T AdWorks’ ability to deliver household specific TV advertising based on interests and demographics to a rapidly growing base of more than 12 million households, combined with Opera Mediaworks’ mobile advertising, will be a game-changer for advertisers and consumers”

Rick Welday, President, AT&T AdWorks

Conclusions

- We have overcome our execution issues
- We have scaled our international businesses – now 38% of revenue
- We successfully diversified our business across brand and performance
- Our programmatic offerings are scaling
- Q4 will be our best quarter ever



Opera