1Q 2017

Opera Software ASA

Agenda

- **Executive Summary**
- Financial Review
- Operations Review
- AdColony (Mobile Advertising)
- Closing Comments

Quarterly highlights

Financial metric	1Q17 ($m)	1Q16 ($m)
Total revenue	107.0	129.1
Adj. EBITDA	0.5	10.0

- AdColony revenue down
  - Mix shift within Brand to Brand Performance & Programmatic (lower CPM)
  - Delay in product launches
  - Few hit games launched in 1Q17 vs 1Q16
- Profit (Adj. EBITDA) down due to AdColony
- Solid growth from Bemobi and SurfEasy and significant cost reduction implemented in Skyfire

Quarterly highlights

Opera Software ASA

ADCOLONY

- Weak revenue due to Performance business
- Apollo VII completed in 1Q17
- Focus on cost and overall OPEX down from 1Q16

Bemobi

- 26% revenue growth, both LATAM and international growing
- Strong growth of International subscribers

SurfEasy
ONLINE PRIVACY

- Solid revenue growth from direct and partner business
- Signed our first data reseller partner
- Ramping down Opera related hosting cost

skyfire

- Very limited revenue in 1Q17
- Lower loss on operations vs 1Q16 due to cost measures
- 2 positive trials completed in 1Q17 and pipeline strong going into 2Q17

**Weak 1Q17 for revenue and profit, in line with company expectations
Unchanged outlook for FY 2017**

Financial Review

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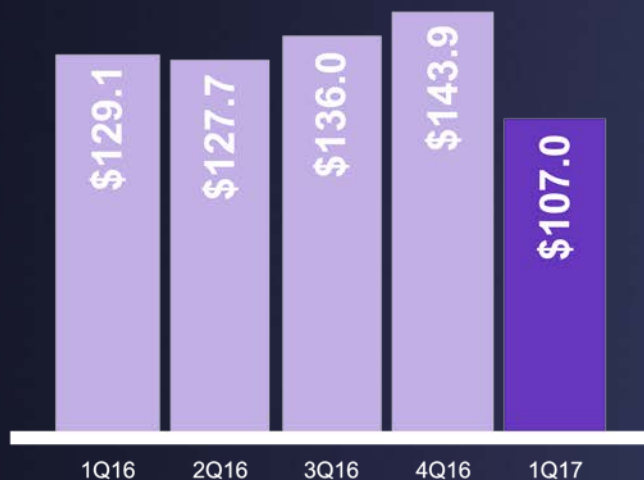
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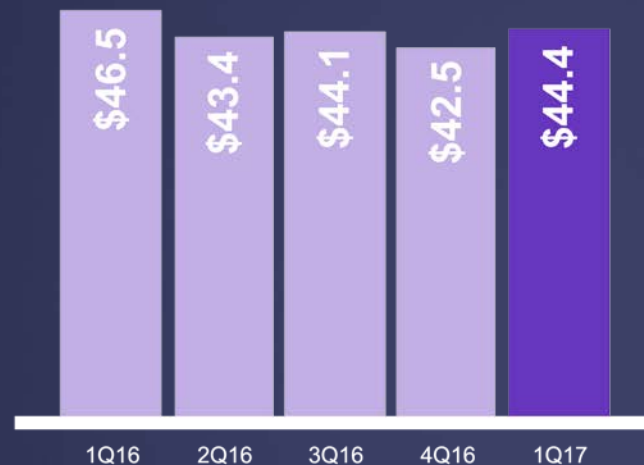
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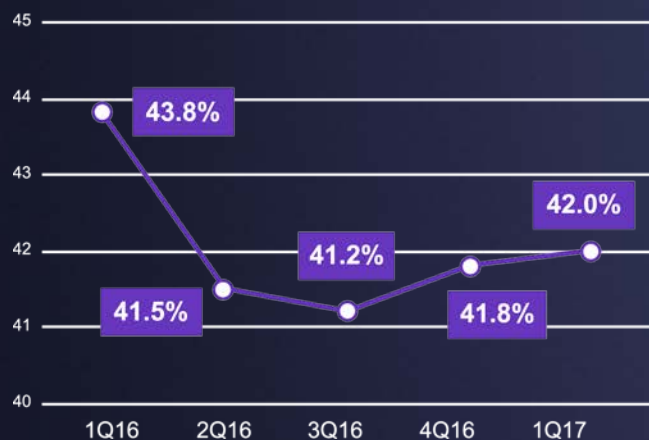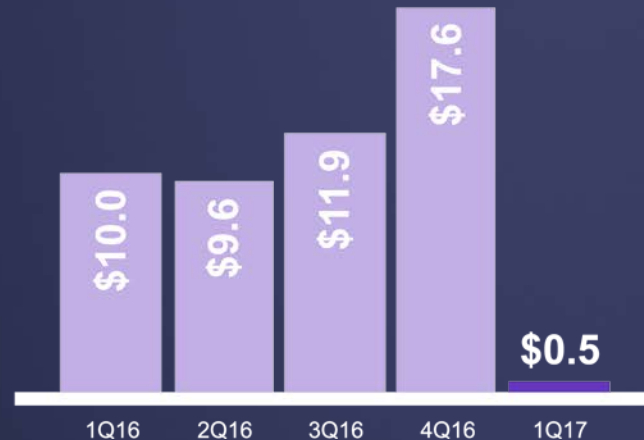
Opera Group 1Q: weak, as expected

Revenue

1Q16	2Q16	3Q16	4Q16	1Q17
$129.1	$127.7	$136.0	$143.9	$107.0

OPEX

1Q16	2Q16	3Q16	4Q16	1Q17
$46.5	$43.4	$44.1	$42.5	$44.4

Gross Margin %

1Q16	2Q16	3Q16	4Q16	1Q17
43.8%	41.5%	41.2%	41.8%	42.0%

Adj. EBITDA

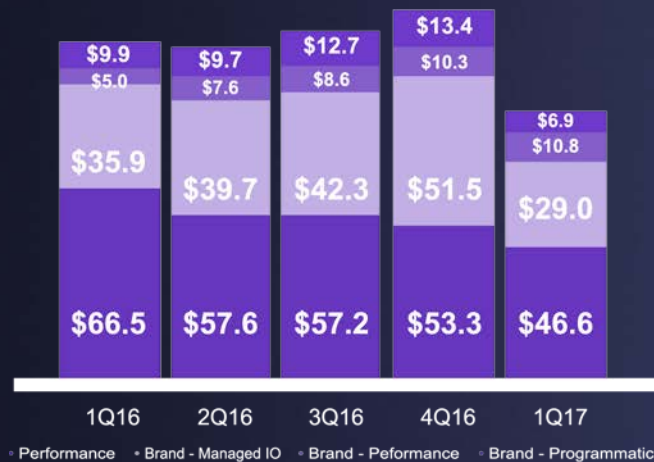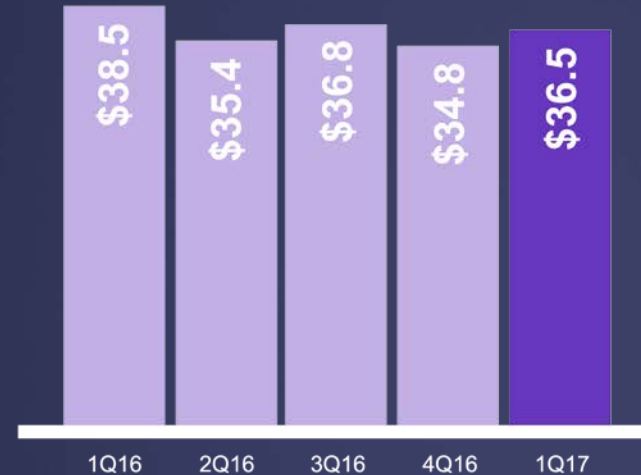| 1Q16	2Q16	3Q16	4Q16	1Q17
$10.0	$9.6	$11.9	$17.6	$0.5

- Revenue drop in 1Q led by AdColony, growth in Bemobi and SurfEasy

- Opex down YoY with cost focus in AdColony and Skyfire in particular

- Adj. EBITDA down solely due to AdColony

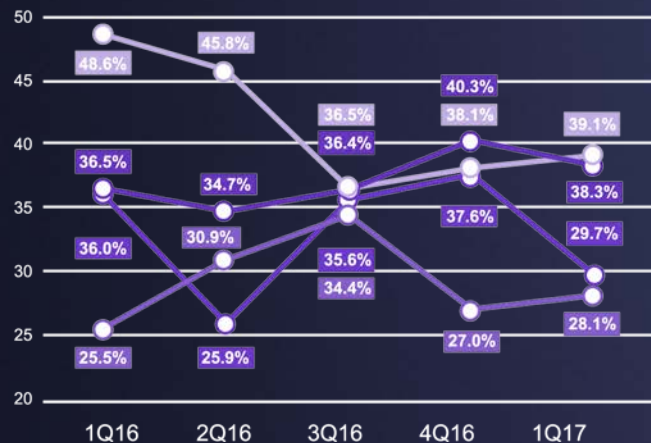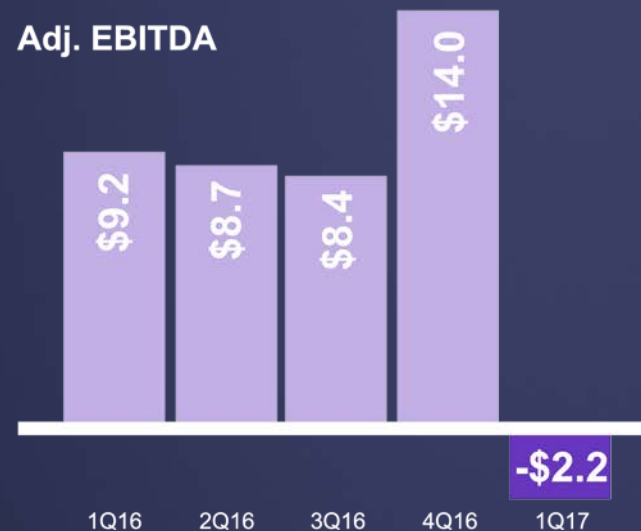# AdColony – Impacted by delayed products and shift to programattic

Revenue

	1Q16	2Q16	3Q16	4Q16	1Q17
Brand - Programmatic	$9.9	$9.7	$12.7	$13.4	$6.9
Brand - Peformance	$5.0	$7.6	$8.6	$10.3	$10.8
Brand - Managed IO	$35.9	$39.7	$42.3	$51.5	$29.0
Performance	$66.5	$57.6	$57.2	$53.3	$46.6

◦ Performance ◦ Brand - Managed IO ◦ Brand - Peformance ◦ Brand - Programmatic

OPEX

1Q16	2Q16	3Q16	4Q16	1Q17
$38.5	$35.4	$36.8	$34.8	$36.5

Gross Margin %

	1Q16	2Q16	3Q16	4Q16	1Q17
	48.6%	45.8%	36.5%	40.3%	39.1%
	36.5%	34.7%	36.4%	38.1%	38.3%
	36.0%	30.9%	35.6%	37.6%	29.7%
	25.5%	25.9%	34.4%	27.0%	28.1%

Adj. EBITDA

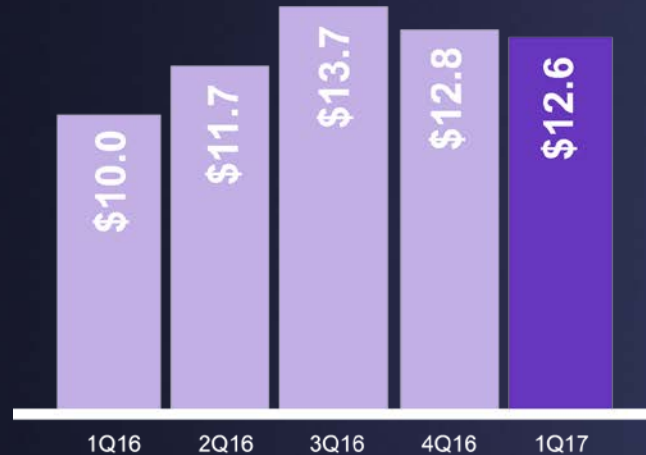| 1Q16	2Q16	3Q16	4Q16	1Q17
$9.2	$8.7	$8.4	$14.0	-$2.2

- Revenue impacted by weak performance revenue, product delays and shift to programmatic

- Opex down YoY with strict cost control

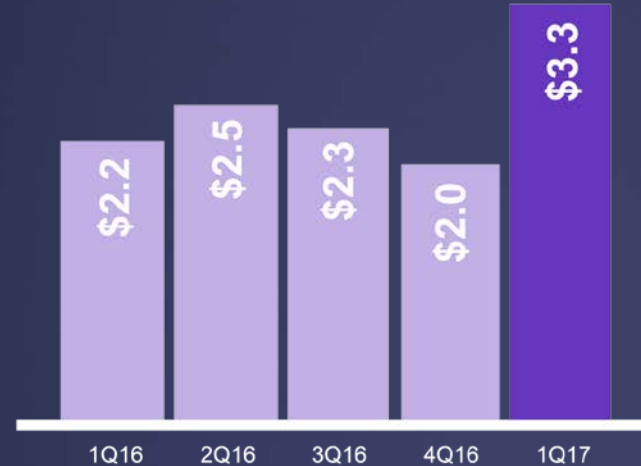- Adj. EBITDA impacted by lower gross margin and lower revenue

Bemobi – Investing for growth

Revenue

$10.0	$11.7	$13.7	$12.8	$12.6
1Q16	2Q16	3Q16	4Q16	1Q17

OPEX

$2.2	$2.5	$2.3	$2.0	$3.3
1Q16	2Q16	3Q16	4Q16	1Q17

Gross Margin %

66.7%	65.7%	64.1%	66.0%	72.7%
1Q16	2Q16	3Q16	4Q16	1Q17

Adj. EBITDA

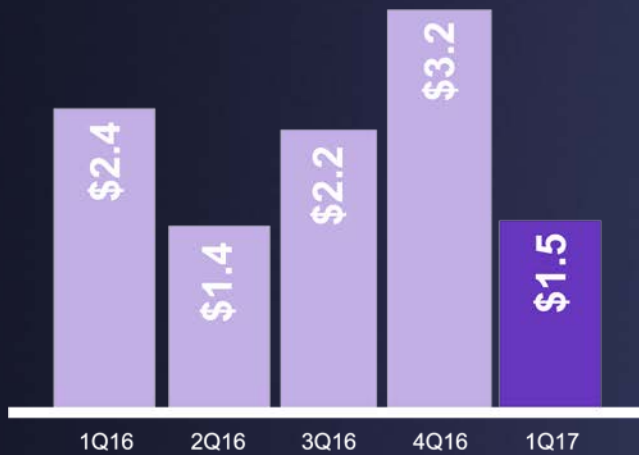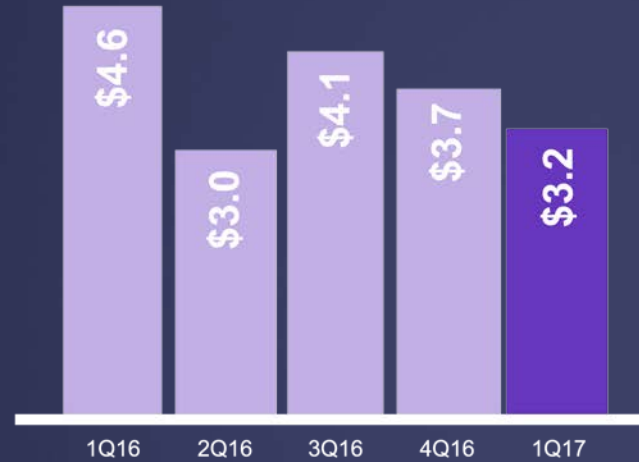|				
$4.5	$5.2	$6.4	$6.4	$5.9
1Q16	2Q16	3Q16	4Q16	1Q17
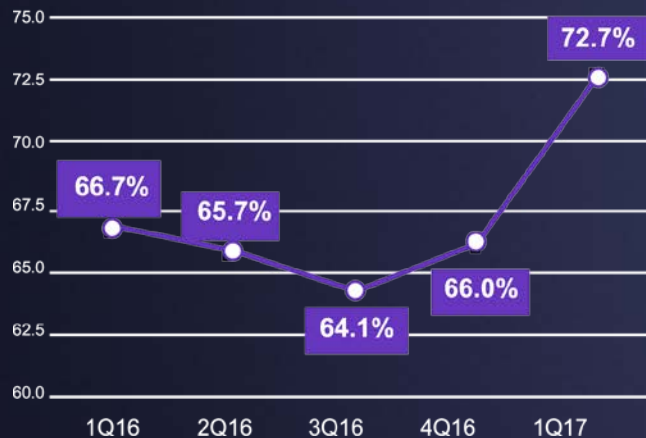
- Revenue up 26% YoY. LATAM mature and international growth offset by lower legacy revenue

- Opex growth due to international expansion

- Gross margin positively impacted by release of cost by international operator

- Adj. EBITDA up with higher revenue and gross margin
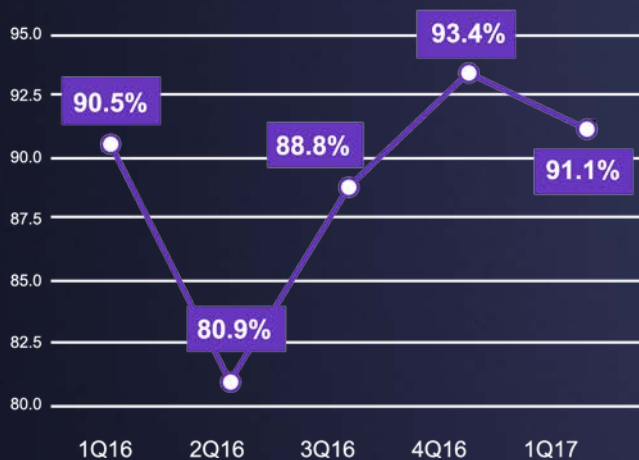
Skyfire & SurfEasy – Restructuring and Growth

Revenue

| 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 |
| $2.4 | $1.4 | $2.2 | $3.2 | $1.5 |

OPEX

| 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 |
| $4.6 | $3.0 | $4.1 | $3.7 | $3.2 |

Gross Margin %

90.5%, 80.9%, 88.8%, 93.4%, 91.1%

Adj. EBITDA

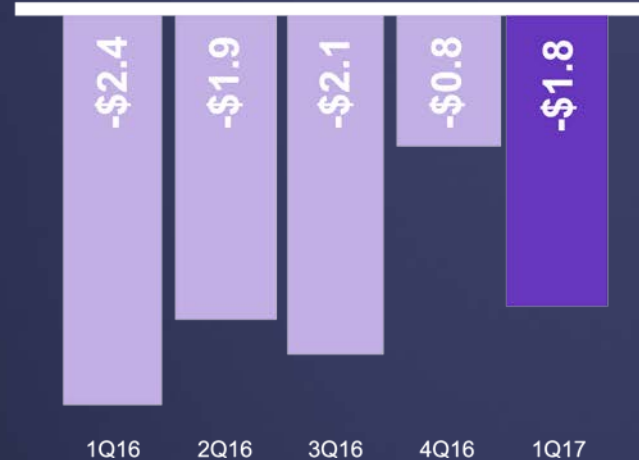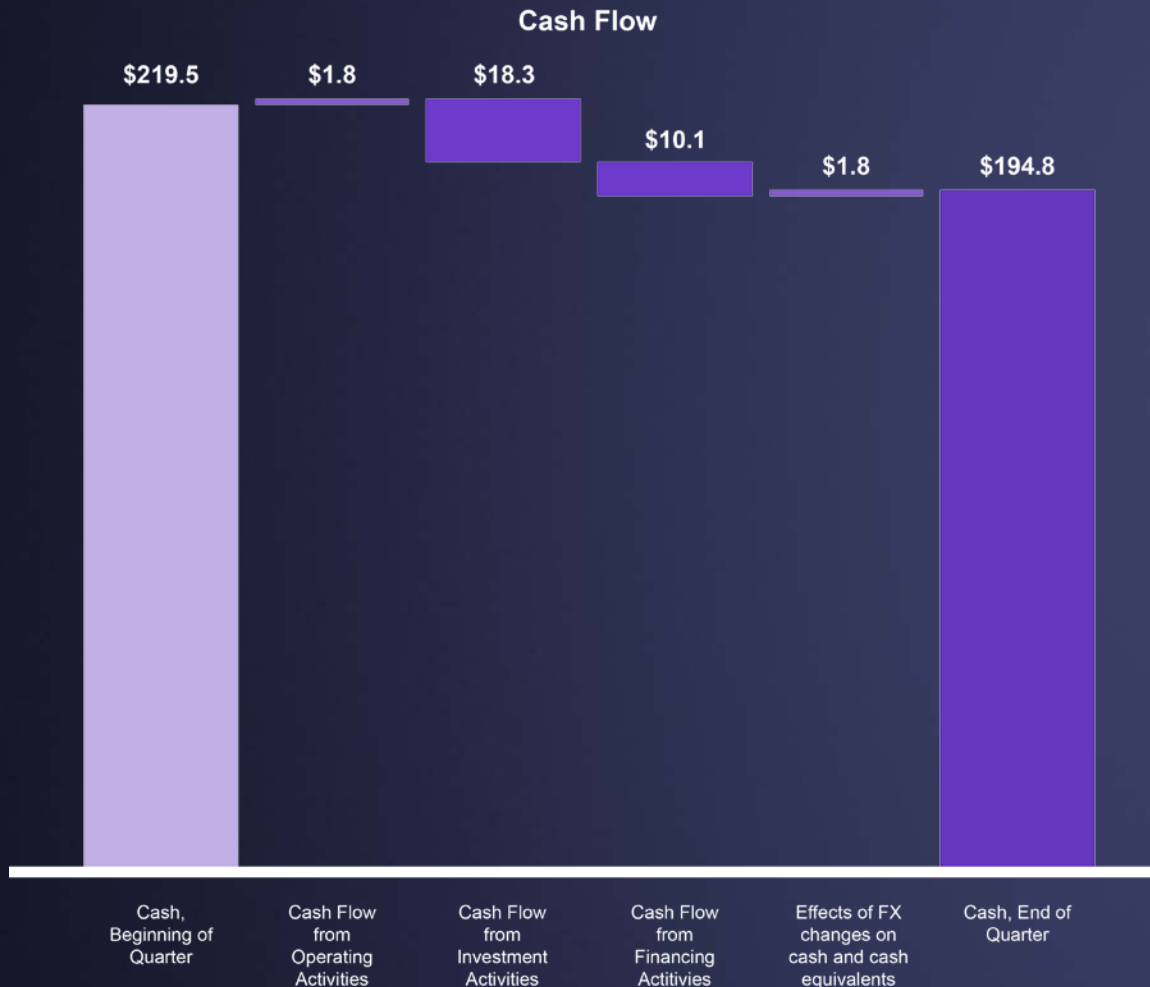| 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 |
| -$2.4 | -$1.9 | -$2.1 | -$0.8 | -$1.8 |

- SurfEasy revenue growing, offset by Skyfire revenue declining

- OPEX down significantly in Skyfire

- Gross margin 90%+

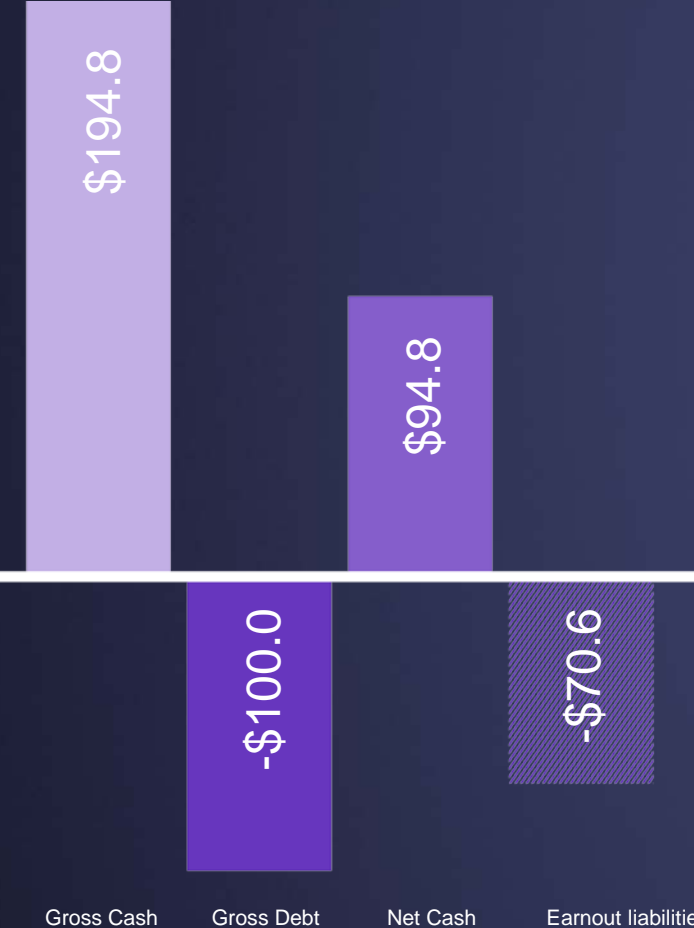- Adj. EBITDA still negative due to lack of scale

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Cash flow – Impacted by earnouts and share repurchase

Cash Flow

$219.5	$1.8	$18.3	$10.1	$1.8	$194.8

Cash, Beginning of Quarter | Cash Flow from Operating Activities | Cash Flow from Investment Activities | Cash Flow from Financing Actitivies | Effects of FX changes on cash and cash equivalents | Cash, End of Quarter
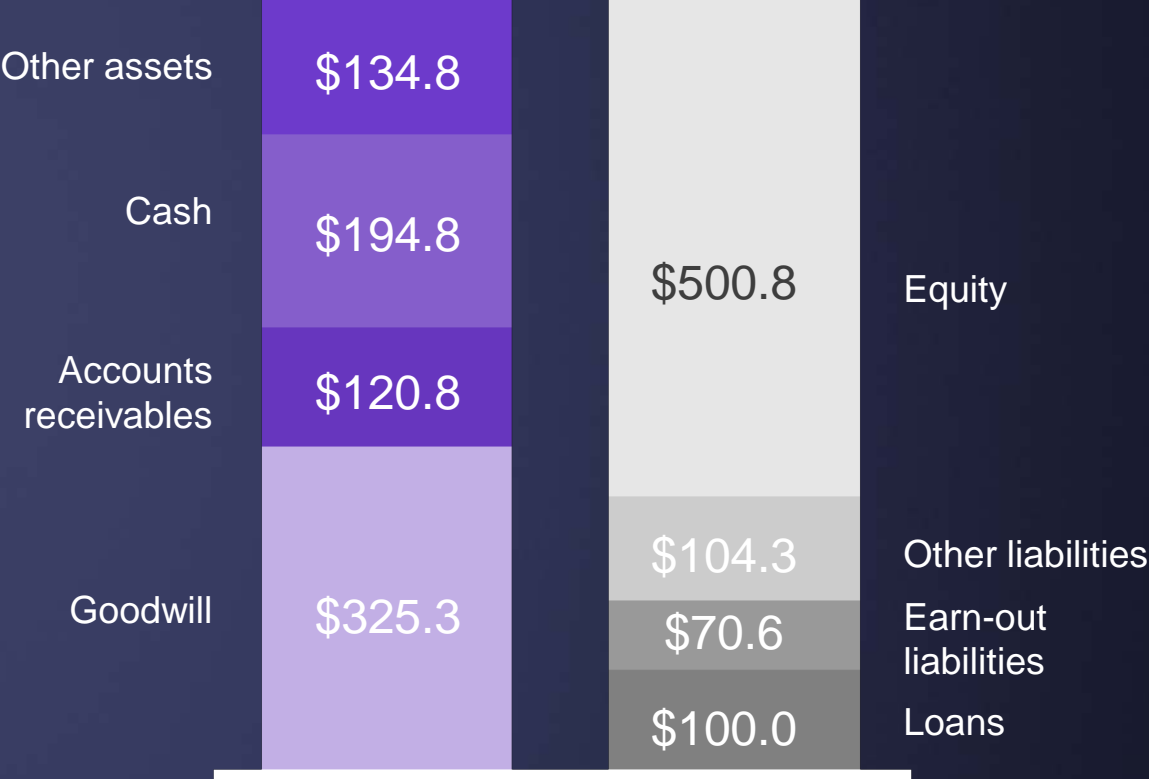
- Operating CF: USD 1.8 million

- Capex & Capitalized R&D: USD 9.5 million

- Investing & Financing: Earnout payments of USD 12.2 million and USD 9.7 million in share repurchases

- Cash end of quarter: USD 195 million, down 25 million vs 4Q16

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Financial position –
Strong net cash position

Financial Position

- $194.8 — Gross Cash
- -$100.0 — Gross Debt
- $94.8 — Net Cash
- -$70.6 — Earnout liabilities

Balance sheet

Assets		Liabilities & Equity	
Other assets	$134.8	Equity	$500.8
Cash	$194.8	Other liabilities	$104.3
Accounts receivables	$120.8	Earn-out liabilities	$70.6
Goodwill	$325.3	Loans	$100.0

Financial outlook – Positive view on H2 maintained

	Q1 2017	FY 2017 guidance
Revenue	USD 107.0 million	USD 550-650 million
Adj. EBITDA (margin)	USD 0.5 million (0.5%)	USD 50-70 million (~9-11%)

- Initiatives in AdColony, in particular, to drive growth in 2H is on track

- FY 2017 guidance unchanged

Operational Review

AdColony –
Revenue down as expected in 1Q17

| Revenue Source	Q1 2016 ($m)	Q1 2017 ($m)	Comments
Performance	**$66.5**	**$46.7**	Delay in product launches Impact from soft 4Q16 «halo» effect and few hit games launched
Brand	**$50.8**	**$46.6**	
Managed IO	$35.9	$28.9	Decline in managed service business was largely due to the delay in key product launches and customers' accelerated efforts with programmatic
Brand Performance	$5.0	$10.8	Strong growth as we continue to see brand advertisers being more performance focused
Programmatic/SSP	$9.9	$6.9	Legacy AdMarvel SSP business winding down to $1.4M (-73% YoY) RTB-based programmatic exchange delivered $5.5M (+17% YoY)
Total	**$117.2**	**$93.3**	

AdColony –
Apollo on track, impact from 3Q

Elevating mobile advertising across today's hottest apps

Apollo update	Expected launch	Progress
VII: Improved bidding engine to increase revenue	2Q 2017	Product completed, beta testing underway, on track
VIII: New SDK Inventory toolkit to increase revenue	3Q 2017	Beta testing in 3Q17, on track
IX: Introduce full-screen display to increase revenue	2Q 2017	First campaign live in May, 1 month ahead of plan
X: Merging to one platform to reduce costs	1Q 2018	Priority after Apollo VII-IX
XI: Merging to one portal to reduce costs	1H 2018	Dependant on timing of Apollo X

AdColony

- Audience reach of 1.9b up from 1.4b in 1Q16

- Apollo launches on track to drive revenue growth in 2H 2017

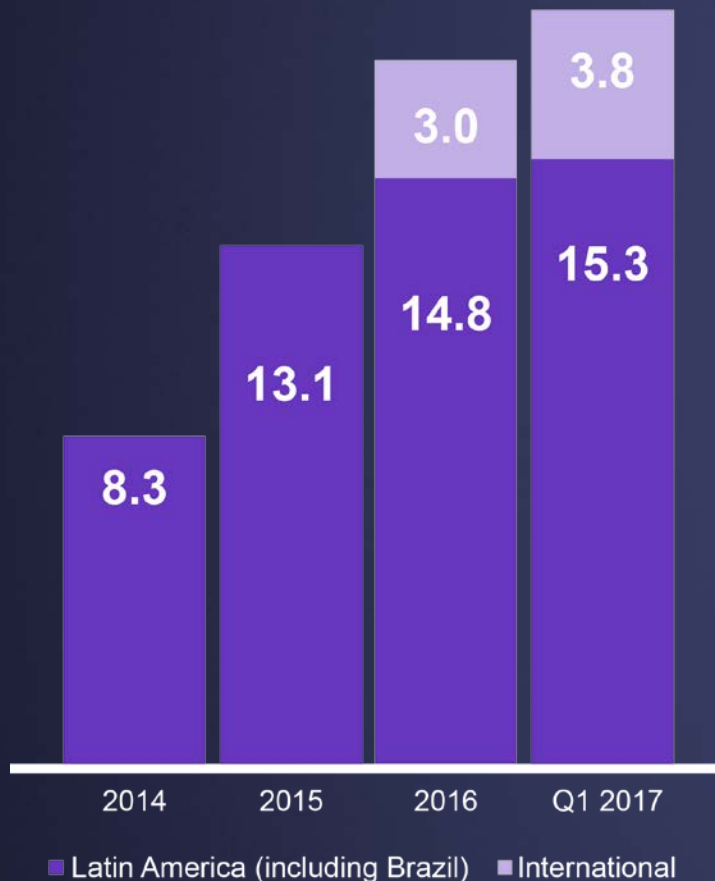- Measures to increase efficiency and reduce costs on track and underway.
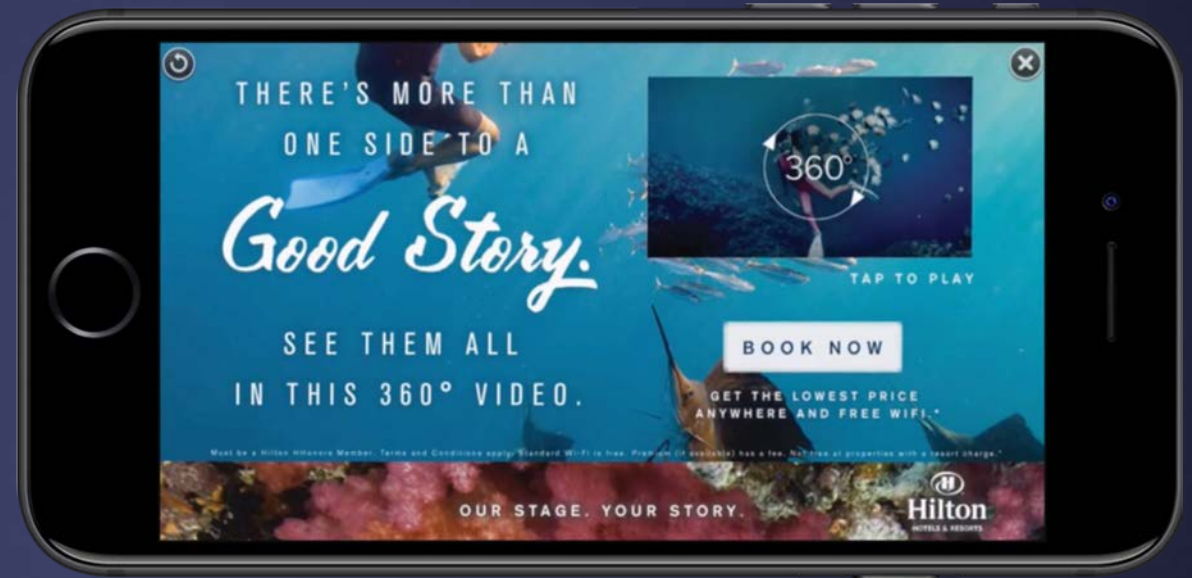
Bemobi – Solid revenue growth

Making premium apps available to emerging markets

Revenue	Q1 2017 ($m)	vs Q1 2016	Comments
LATAM	$10.7	+30%	Strong growth, maturing market
International	$1.9	+19%	Strong growth of Apps Club and NDNC revenue, offset by lower legacy revenue (featurephone app store)
Total	**$12.6**	**+26%**	

Bemobi –
Subscriber growth driving revenue and scale

Number of subscribers (million)

	2014	2015	2016	Q1 2017
International			3.0	3.8
Latin America (including Brazil)	8.3	13.1	14.8	15.3

■ Latin America (including Brazil) ■ International

- LATAM operators up from 16 in 1Q16 to 20 in 1Q17

- International operators up from 10 in 1Q16 to 29 in 1Q17

- Live with No Data, No Credit portal with 3 international operators

- Total addressable subscriber base now over 2 billion across the globe

Bemobi –
Product launches driving growth

Initiatives	Timing
NDNC (No Data No Credit) Portal was improved to create better user experience.	1Q 2017
Introduced adaptive billing for better monetization	1Q 2017
Improvement in most operational metrics (subscriber acquisition and monetization) across regions	2Q 2017-
NoData/NoCredit Portal launches expected in CIS, South Asia and Southeast Asia, (8-10 markets)	2H 2017
Apps Club to launch in 8+ new markets	2H 2017

Skyfire – Turnaround continues

Improved internet bandwidth experience

- 4 Live operator contracts

- Completed two successful trials during the quarter with large operators, one in Europe and one in Asia. Both are now in commercial negotiations

- During the quarter, Skyfire enhanced heuristics that improve ability to optimize encrypted traffic. These features are expected to help differentiate our offering from competitors

- Continued cost focus

- Still on track for 2017; strong pipeline, but dependencies on several large deals in process of being negotiated

SurfEasy –

Fast and trustworthy VPN

- SurfEasy owned and Operated products added over 140k new paying subscribers in 1Q. This represented a 140% increase over previous quarter

- One of our larger partners began making significant gains in new customer acquisitions during 1Q. Early indications that revenues could be above forecast for the year

- We are seeing more inbound interest from new partners looking for a white labeled VPN

- SurfEasy released updates to VPN clients adding 5 new regions, improved performance and customer experience feedback

- Backend infrastructure to process Opera VPN mobile data was deployed and we signed our first data reseller partner

Executive Summary

- Per guidance, we expect revenues to be down in the first half, as we ramp up our new products and return to growth in 2nd half of the year.

- Revenues in Q1 were on plan at $93.3M and we had an EBITDA loss of ($2.2M)
  - Maintained diversity of revenues with 50% Brand / 50% Performance

- Q1 softness due to the following factors:
  - Difficult comp quarter : Q1'16 was exceptionally strong for Performance
  - Mix shift within Brand to Brand Performance & Programmatic (lower CPM)
  - Brand decay primarily in legacy business (AdMarvel SSP)

- In Q1, we made progress on key Apollo development milestones, tripled penetration in the new 3.X SDK, introduced Vertical Video with very encouraging KPIs, while managing Gross Margins and OPEX to plan

- We believe Q1 was a low point in revenue - historically lowest quarter due to seasonality of ad business - and are expecting Q2 revenue/profits to grow over Q1, but will still be soft relative to Q2 2016.

Q1 Results

Q1 2017 Revenue

- Revenues down vs. Q1'16. Biggest decreases came from Performance and, within Brand, from old AdMarvel SSP Business. Highlights included strong growth in Brand Performance and Programmatic.

Revenue Source	Q1 2016	Q1 2017	Change
Performance	**$66.5**	**$46.6**	**-29.9%**
Brand	**$50.8**	**$46.7**	**-8.0%**
Managed IO	*$35.9*	*$29.0*	*-19.2%*
Brand Performance	*$5.0*	*$10.8*	*+116.0%*
Programmatic/SSP	*$9.9*	*$6.9*	*-30%*
TOTAL	**$117.2**	**$93.3**	**-20.4%**

Q1 2017 Gross Margin

- Gross Margins were on plan and down ~1 points vs 2016 full year average. Brand margin decline due to pivot off legacy "ad network" model + mix shift of revenues towards Brand Performance and Programmatic.

Margin Source	CMD: Full Year 2016	Q1 2017	Pt Change
Performance	**37%**	**38%**	**+1pts**
Brand	**41%**	**35%**	**-6pts**
Managed IO	*48%*	*39%*	*-9pts*
Brand Performance	*25%*	*28%*	*+3pts*
Programmatic/SSP	*34%*	*30%*	*-4pts*
TOTAL	**38%**	**37%**	**-1pts**

Detailed Results: Performance Advertising

Summary: Q1 2017 Performance revenues = $46.6M (-30% vs Q1'16)

Summary of Q1 2017 Results
• Increased competition for mobile video supply and pricing • Majority of revenue softness due to lower than expected performance metrics on existing business and some softness in app install pricing in Q1'17 • Beta testing of new ad formats (Vertical Video) and performance DSP (Apollo VII)
Other KPI: • Continued to add bid density by adding 24% more advertisers and campaigns • Continued strong global expansion across APAC and EMEA
• Clear line of sight to additional global launches from key AAA developers in Q2 and Q3 • Vertical video was launched in Q1 and continues to ramp up rapidly with adoption of new SDK • Post Install Event optimization products finished development; Bringing to market in Q2 • Apollo VII development complete; Started beta testing with extended test and tune cycle

Detailed Results: Brand Advertising

Summary: Q1 2017 Brand Revenues (excluding Programmatic/SSP) = $39.8 (-3% vs. Q1'16)

Summary of Q1 2017 Results

- Brand Performance business achieved 116% growth as we continue to see brand advertisers being more performance focused
- Video was down in the US ($11.0m vs. $14.5m) as a result of a mix shift toward the Brand Performance business that is heavily driven via display
- Decline in managed service business was largely due to the delay in key product launches and customers' accelerated efforts with programmatic
- Global Brand margins declined given a shift away from legacy "ad network" model + mix shift towards Brand Performance and Programmatic
- Strong growth in Private MarketPlace deals, managed by Managed IO team

Other KPIs:
- 6 of our top 20 customers are now brand performance vs. just 1 in Q1/2016
- Announced strategic partnership with Ninth Decimal that will be in market in Q2
- Growth categories: Finance, Automotive and Consumer Electronics
- Successfully launched vertical video with UFC and have seen strong results

Detailed Results: Programmatic

Summary: Q1 2017 Programmatic/SSP Revenues = $6.9M (-30% vs Q1'16)

Summary of Q1 2017 Results
• Legacy AdMarvel SSP business winding down. Revenues dropped from $5.2M to $1.4M (-73% YoY decline) • RTB-based programmatic exchange grew from $4.7M to $5.5M (+17% YoY) • Private Marketplace deals building momentum and scale. This benefits the Managed IO line item, but takes inventory out of the open exchange
Other KPIs: Instant-Play™ growth • Grew demand partner base by 50% • Doubled play rate (impressions per bid) QoQ
• Putting increased focus on activating demand partners and spend against Instant-Play™ SDK supply

Q2 Focus & Trending

Q2 Focus & Trending
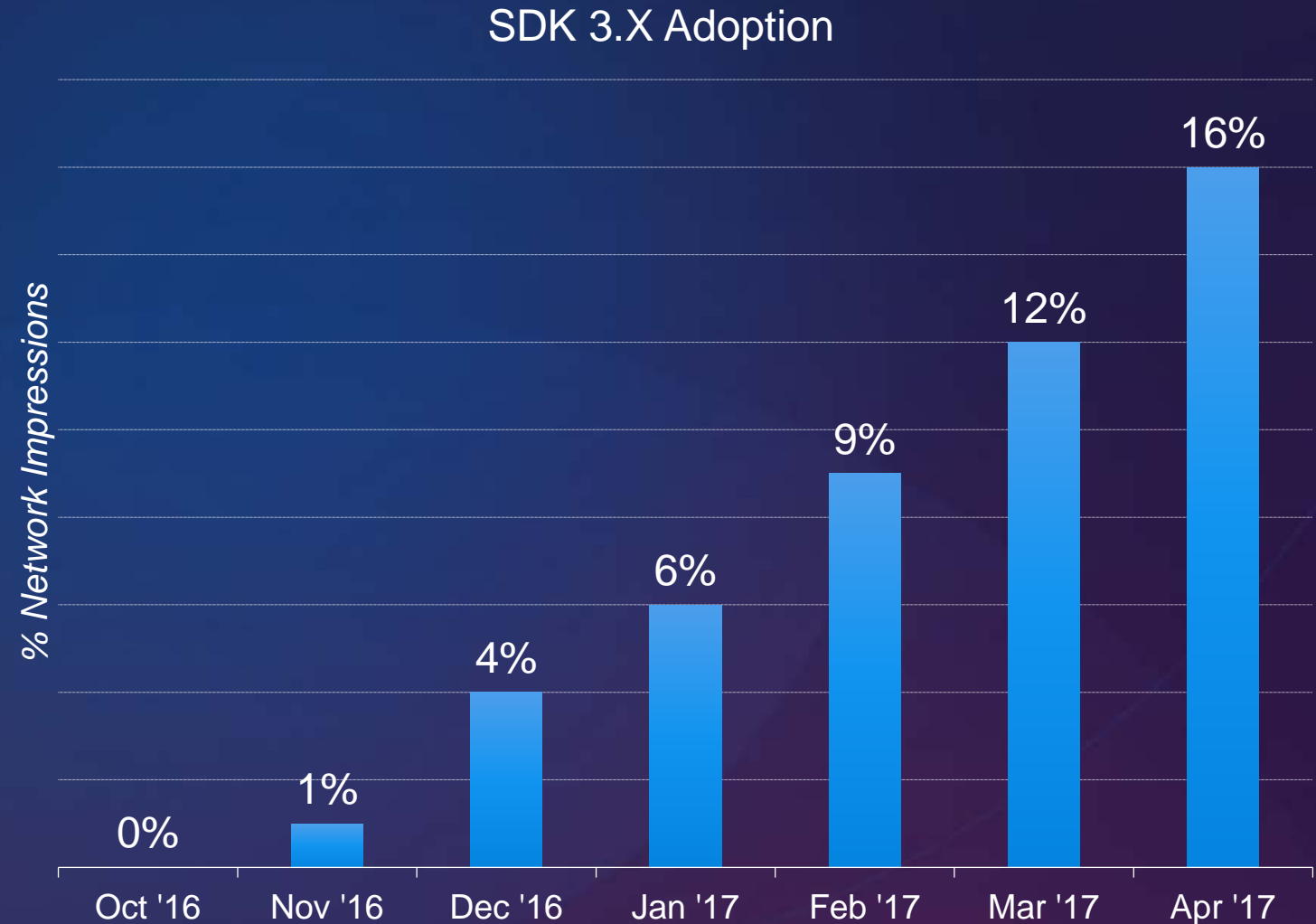
Key areas of strategic focus for us include:

- Publishing: Driving SDK growth & convert entire tech platform to our new 3.X series SDK

- Selling in new products to Brand and Performance advertisers, while continuing to support existing products and older platforms, as new products scale

- Improving core platform metrics: DUV (Daily Unique Viewers), Pricing and ARPU

- Apollo VII test and scale

- Cost controls & continued focus on operational efficiencies

SDK 3.X Penetration has tripled since January

Healthy adoption of next-generation SDK

- Current live publisher penetration rate on 3.X is at 19% as of May 11
- Publishers excited about new SDK as it enables Vertical, Explorable, Interactive Video & Playables, expected to drive demand & eCPM
- ~50% of Top 50 Apps in network are live or in the process of going live with 3.X SDK
- We expect SDK adoption to continue to grow, strengthened by higher eCPMs from Core™ advancements & growth in Brand dollars

SDK 3.X Adoption

% Network Impressions

Month	Value
Oct '16	0%
Nov '16	1%
Dec '16	4%
Jan '17	6%
Feb '17	9%
Mar '17	12%
Apr '17	16%

Vertical Video: Early KPIs are strong for Performance

Instant-Play ™ HD Vertical Video (Performance)

- Vertical video inventory has been ramping up very quickly - 10x since February
- We have launched nearly 700 new advertiser creatives across ~200 campaigns which are producing great results and driving higher than expected prices and engagement
- Vertical video is also delivering higher eCPMs to publishers (+13%) which will help us secure additional supply
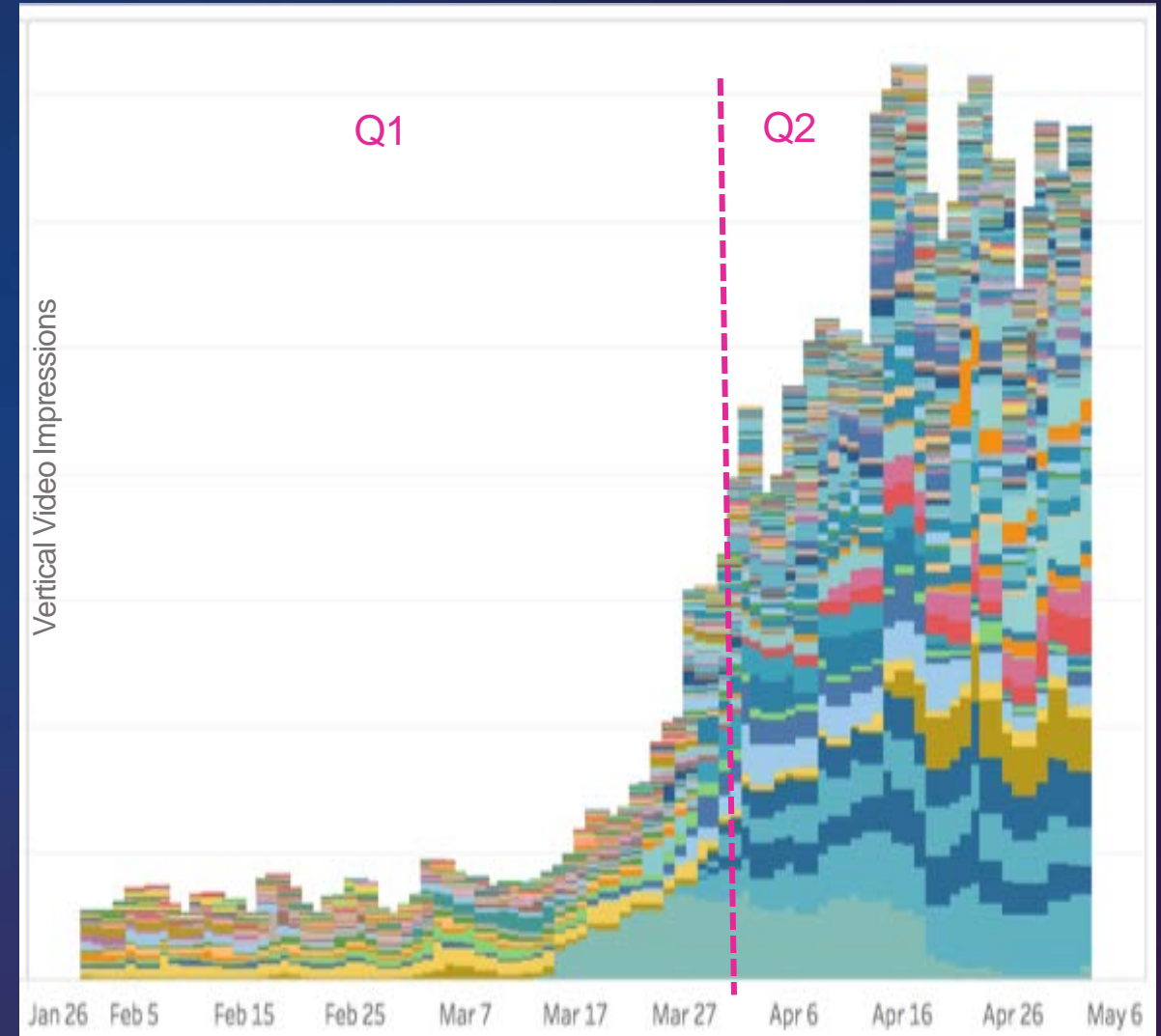
Vertical Video: Strong 10% Engagement Rate for Brand

Instant-Play ™ HD Vertical Video (Brand)

Successful launch campaigns with UFC, FX, and Xbox with broad press coverage. Strong results to date:

- **89%** avg. video completion rates outperforming social channels that have single digit completion rates

- **10%** engagement rate with the end cards which are +45% higher than horizontal engagement rates using same creative

VentureBeat

MARKETING

AdColony launches instant-play vertical video ads with UFC

DEAN TAKAHASHI   @DEANTAK   MARCH 15, 2017 7:00 AM

Mobile ad platform AdColony has launched its Instant-Play HD Vertical Video ads with UFC and other Fortune 500 brands. AdColony is one of the largest mobile advertising platforms in the world, with a reach of more than 1.4 billion users globally.

Above: AdColony's new ad format

Image Credit: AdColony

AdColony said UFC is a customer and is using the format in a new ad campaign for the upcoming fight featuring Amanda Nunes versus Ronda Rousey.

Interactive Video: 1st to market campaigns in May/June!

Aurora™ HD Video Launch

- "First to market" launch program locked with major brand advertisers
- Brand beta program drawing in 7-figure revenue in Q2
- First live flight dates start May 25
- Press planned in early June
- Drawing interest from Performance advertisers with ad creation and testing in progress as well

Product Updates/Tracking

Focus on SDK, Apollo VII, Apollo IX & LTV Optimization

Product	Updates & Tracking
SDK 3.X *(Next gen AdColony SDK)*	• v3.1 SDK was made publicly available on March 6, 2017 • Since March, focused on minor bug fixes, optimizations, partner integrations
Apollo VII *(Core™-based bidding for Performance across external exchanges)*	• Passed QA in mid-Feb., beginning a multi-month testing & tuning against live traffic • Validated all mechanical aspects of the Product (delivery, counting, attribution) • Focused on supply management capabilities to identify the best pockets of supply • Expect to turn Core™ bidding on in Q2 and move to 3rd-party campaigns
Apollo VIII *(Bidding for SDK)*	• Expected to pass QA in early Q3, dependent Apollo VII achieving scale • GTM/Migration of Network will start in Q3/Q4
Apollo IX *(Interstitials & Playables)*	• Apollo IX Beta program starting in May
Apollo X	• Planning development complete late Q3; Test migration of demand in Q4, full shift in Q1 2018
Apollo XI	• Migration in 1H 2018
LTV Optimization *(Lifetime Value Optimization)*	• User Scoring model for LTV complete; Currently rolling out to select advertisers.

Closing Statements

- While a challenging quarter financially, we are "on plan" and we continue to get strong market validation of our focus on driving OUTCOMES for brands and publishers

- I couldn't be more proud of our development studio in navigating a very challenging and ambitious SDK, which is now hardened and we are working on rapidly increasing the SDK penetration

- Since CMD, we have also finalized development of Apollo VII – and we are currently in a test and scale process on this new platform.

- Early KPIs and response to the new ad units is strong: we have signed launch partners for our new Interactive ad units w/major Fortune 100 brands with campaigns that will go live in 2 weeks

- While we face Revenue headwinds in advance of deploying new products and as we wind down older products, we continue to be laser focused on our key strategic objectives that we believe will put AdColony in a powerful financial position for 2018 and beyond.

- Until that time, however, we are deploying strict cost controls, balancing resources needed for new products and growth for the long term, while taking costs out of the business

Closing Comments

Segment outlook –

Opera Software ASA

An open, connected world - powered by great technology and services - breaking down barriers that limit access to information, education and fun

ADCOLONY

- Apollo launches on track
- Focus on cost control
- Expect to see revenue impact from new products starting to emerge in 2Q17 and accelerate into 2H17

Bemobi

- Continued international ramp
- Expecting to sign 8-10 new operators for Apps Club and NDNC portal rest of year

SurfEasy — ONLINE PRIVACY

- Growth of direct product & sign up additional 3rd party customers
- Ramp down Opera related hosting cost
- Opportunity to resell data to be explored

skyfire

- Strict cost control
- Traction through partnership with Huawei
- Profitability in 2017 dependant on key wins in 2Q/3Q

On track for growth in revenue and earnings