

The background of the entire page is a dark blue field filled with a dense pattern of small, lighter blue dots. In the upper right portion of the page, there is a solid orange rectangle. Inside this rectangle, the text "Next phase is here" is written in white, with "Next" on the first line, "phase" on the second line, and "is here" on the third line.

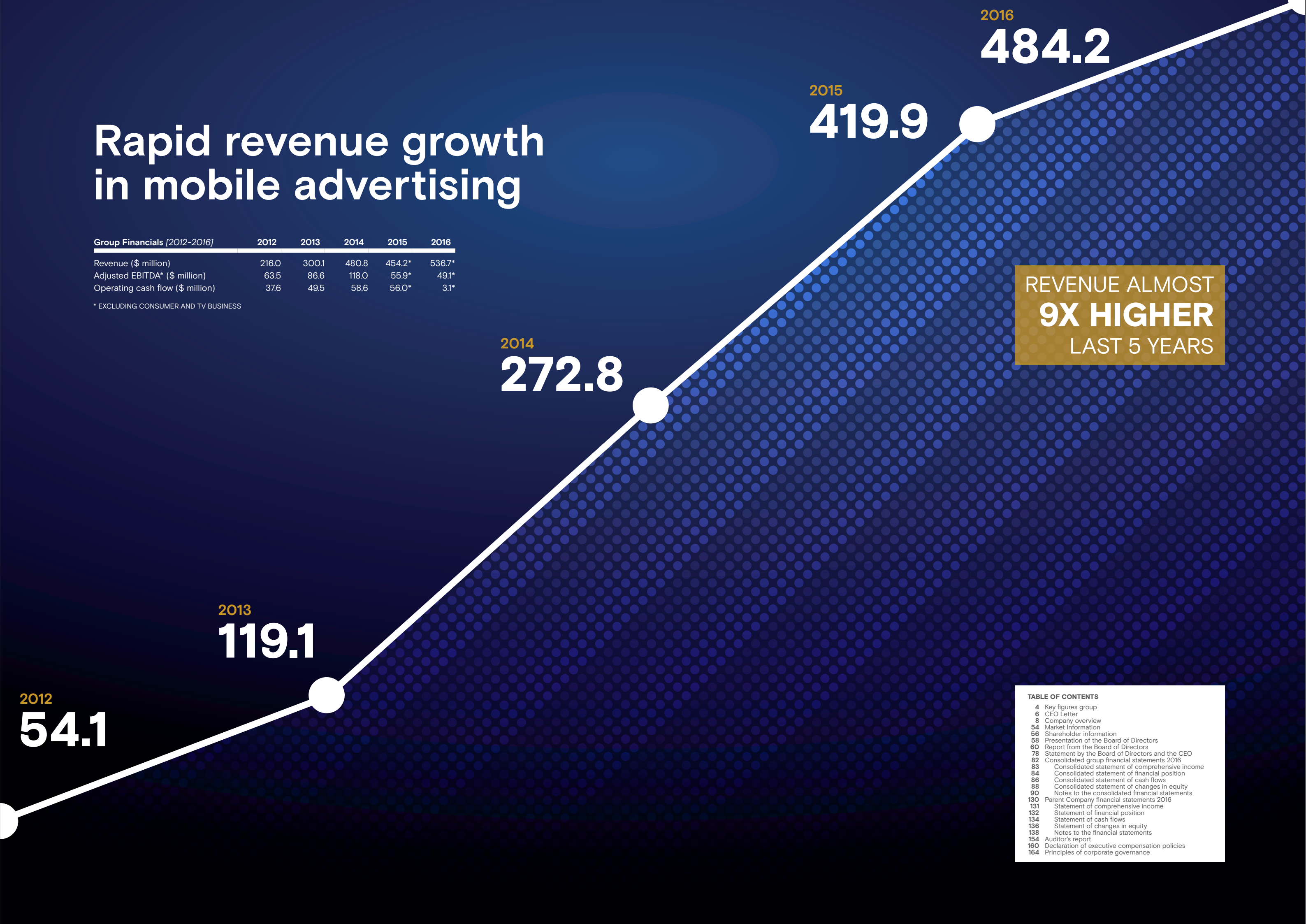
Next  
phase  
is here

OPERA SOFTWARE ASA  
ANNUAL  
REPORT | 2016

# Rapid revenue growth in mobile advertising

Group Financials [2012-2016]	2012	2013	2014	2015	2016
Revenue (\$ million)	216.0	300.1	480.8	454.2*	536.7*
Adjusted EBITDA* (\$ million)	63.5	86.6	118.0	55.9*	49.1*
Operating cash flow (\$ million)	37.6	49.5	58.6	56.0*	3.1*

\* EXCLUDING CONSUMER AND TV BUSINESS



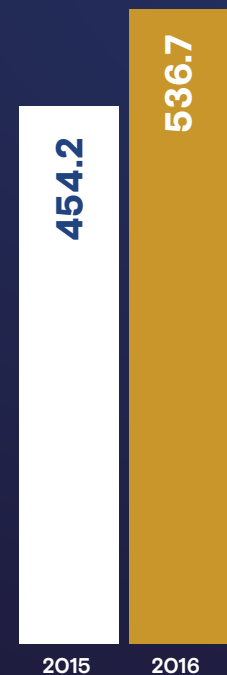
REVENUE ALMOST  
**9X HIGHER**  
LAST 5 YEARS

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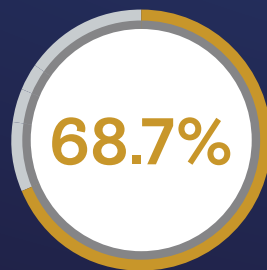


# Year in Numbers

## REVENUE [NUMBERS IN \$ MILLION]



TOTAL GROSS PROCEEDS WAS USD  
**665** MILLION   
IN CASH



NORWAY-BASED  
SHAREHOLDER ACCOUNTS

## SURFEASY: REVENUE GROWTH

↑ **84%**

## EARNINGS PER SHARE [NUMBERS IN \$]

**\$ (0.43)**

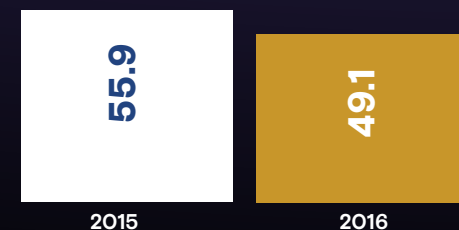
## NET CASH POSITION [NUMBERS IN \$ MILLION]



**\$119.5**

APPSCLUB REACHES OVER  
**±2 BILLION**   
MOBILE SUBSCRIBERS

## ADJUSTED EBITDA [NUMBERS IN \$ MILLION]



## SKYFIRE:



LIVE OPERATOR DEALS

## REVENUE SOURCE [NUMBERS IN \$ MILLION]



MOBILE  
ADVERTISING



APPS &  
GAMES



PERFORMANCE  
& PRIVACY

## REVENUE [NUMBERS IN \$ MILLION]

**536.7**

**905**  
EMPLOYEES &  
EQUIVALENTS

REVENUE GENERATED FROM  
**65/100**  
OF ADAGE TOP GLOBAL ADVERTISERS

## MOBILE VIDEO REVENUE [NUMBERS IN \$ MILLION]



**3000+**

FOR MOBILE CREATIVE  
IN 2016 WE WON  
**76**  
AWARDS

**1.5**  
BILLION  
UNIQUE DEVICE  
REACH AND SDK  
FOOTPRINT IN THE  
**TOP 1 000 APPS**

SHARE REPURCHASE PROGRAM  
**COMMENCED**



PAID OUT  
**15 NOK**  
PER SHARE  
IN DIVIDEND





# CEO LETTER

## KEY NUMBERS, 2016

REVENUE  
**536.7**  
ADJ. EBITDA\*  
**49.1**

\* NON-IFRS EBITDA EXCLUDES STOCK-BASED COMPENSATION EXPENSES, EXTRAORDINARY/ONE-TIME COSTS AND ACQUISITION RELATED COSTS.

2016 was a transformative year for Opera, with the divestiture of two key businesses: 100% of the Consumer business for gross proceeds of \$575 million and Opera TV for gross proceeds of \$80 million plus a retained equity interest. These sales enabled us to pay down the majority of our debt, pay a sizable dividend, and buy back shares. We are financially strong and ready to support the growth of our four remaining companies (in addition to the retained stake in the Opera TV business): AdColony, Opera Apps and Games (Bemobi), Surfeasy, Skyfire.

I would like to take this opportunity to summarize the past year.

### Highlights from 2016

Obviously, the main highlights of 2016 were the sale of the Consumer business and the 70% stake in the TV business. In addition, our results continued to grow. Opera's operating revenues grew by 18% to \$536.7 million in 2016 (2015: \$454.2 million). Operating expenses, excluding one-time costs, increased by 22% to \$543.9 million (2015: \$447.1 million), with non-headcount expenses increasing primarily due to higher cost of goods sold or publisher-pay-out costs, as well as hosting costs related to the AdColony (Opera MediaWorks) business.

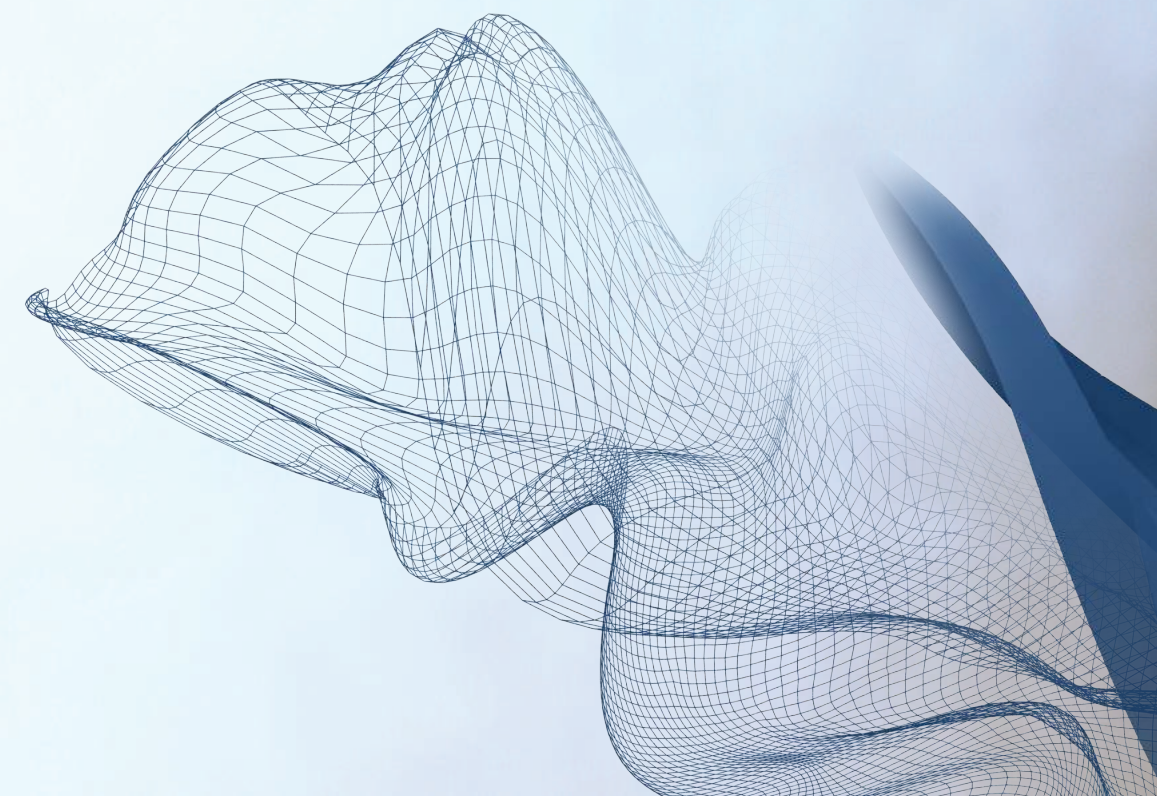
Opera delivered Adjusted EBITDA (excluding costs for restructuring the business) of \$49.1 million (2015: \$55.9).

2016 also saw 15% revenue growth from AdColony in a year that focused heavily on product development. Bemobi had organic revenue growth of 43% and we look forward to make a local Brazilian success global. SurfEasy continued its growth across its B2B and B2C offering, while we made significant efforts to streamline the Skyfire business around the Rocket product.

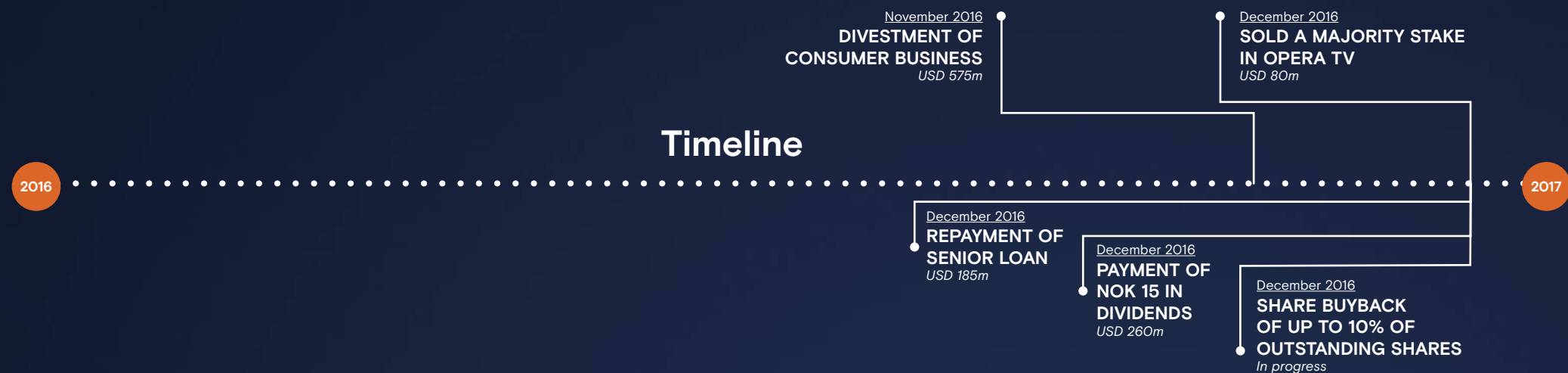
### Focus areas for our four remaining companies

As we move into a new chapter in Opera's history, I have the following goals for the four remaining companies which I believe will help us maximize shareholder value: (1) grow revenues; (2) increase margins; (3) exercise tight cost control; (4) develop unique and relevant products that set us apart from the competition; and (5) ensure that the businesses scale well.

Lars Boilesen







2016: STRATEGIC DIVESTMENTS ENABLING DIVIDEND, SHARE BUYBACK AND REPAYMENT OF SENIOR LOAN

# Successful Strategic Repositioning

2016 has been a year of divestment and increased financial stability for Opera. The result is a more streamlined structure of companies with a strengthened focus on growth and monetization going forward.

Going into 2016, Opera had 3 business units: Mobile Advertising, Consumer and Tech licensing. These business units were tied together by the user base of 350 million browser users.

However, the Management and Board of Directors realized that the strategy was not optimal. Browsers were hard to monetize, especially in the short- and medium-term. In addition, Opera realized it was hard to get significant ad revenue in the browser despite dedicated efforts over time. Despite the fact that Opera had an user base of 350 million, it was difficult to get a significant uptake in the subscriber base of SurfEasy, and despite that Opera had more than 100 operator agreements in the consumer space, it was not possible to turn these operator agreements into Skyfire contracts.

As a result, in 2015, it was decided to run a strategic process. The outcome was that the consumer business was divested, in November

2016, for USD 575 million. One month later, in December 2016, Opera sold a majority of Opera TV, bringing in additional USD 80 million in cash. In total, these divestments brought in USD 655 million in gross proceeds, which enabled the Board of Directors to initiate a share buyback program in December 2016 of up to 10 percent of outstanding shares. At the same time, it also enabled the company to pay a dividend of NOK 15 per share and carry out repayment of the senior loan of USD 185 in December 2016. As a result, the financial situation has not been more stable in the history of the company. This makes it possible to invest into growth and profitability for AdColony, Bemobi, SurfEasy and Skyfire.

In short, the focus going forward is to create revenue growth, increased margins and uphold strict cost control while making sure the companies have unique and relevant products in order to create scalable businesses with an overall objective to maximize shareholder value.

TOTAL GROSS PROCEEDS WAS USD  
**665** MILLION  
IN CASH





**MOBILE ADVERTISING:**  
HIGH QUALITY ADVERTISING  
EXPERIENCES THAT DELIVER  
OUTCOMES FOR BRANDS  
AND PUBLISHERS





WILL KASSOY  
CEO, AdColony



LAUNCHING A NEW ERA  
OF MOBILE ADVERTISING |

# Colonizing the world's largest mobile ecosystem of advertising

Mobile advertising is booming and AdColony plays a core part. While the global advertising industry continues to experience a macro shift from traditional to digital channels, with mobile increasing its share rapidly, AdColony is expanding its reach to more than 1.5 billion mobile users worldwide.

The shift from traditional to digital is fueled by several factors as consumers spend more and more time on mobile devices, engaging with apps and sites. At the same time, mobile advertising is efficient and targeted compared to traditional offline advertising, as it enables better targeting, provides opportunities for more user interaction, and provides better measurement capabilities.

AdColony is a marketing platform focused on delivering performance and outcomes for brands, agencies, publishers and app developers, through high quality advertising to consumers on mobile devices around the world. The technology powers monetization for the most popular, top 1000 global publishers, and it enables marketers to engage with consumers on the most personal and important screens in their lives. AdColony delivers highly interactive and engaging advertising experiences across formats including banner display ads, interactive rich media ads, video ads and native advertising. The company has proven to push creative boundaries and be first to market with innovations to lead the mobile ad economy.

The rapid growth in mobile advertising in particular is being fueled by a number of factors:

- (i) the dramatic increase in smartphones with over 2 billion users globally, with smartphone users spending significantly more time engaged with their mobile devices than feature phone users;
- (ii) reach and "anytime-anywhere" access to users – there are more than 5 billion mobile phone users worldwide (compared to a little over 2 billion desktop users, for example);
- (iii) strong targeting characteristics – advertisers are able to glean meaningful amounts of aggregated information about mobile users, such as location, demographics and behavior;
- (iv) high performance and user response rates from Android and iOS smartphone devices in particular, which support highly interactive and entertaining ad formats due to advanced display technologies, strong graphics processors and fast processing speeds;
- (v) wide spread access to high speed wireless data networks, which enables the consumption of high quality and rich media and video content on mobile devices; and
- (vi) rapid increase in consumer time spent in smartphone mobile applications in particular, as developers have been able to deliver highly intuitive, engaging and personalized content experiences "in-app", capitalizing on native operating system software development kits which





facilitate the full harnessing of a mobile device's processing capabilities and functionality.

#### A global colony of mobile advertising

AdColony's goal is to elevate the state of mobile advertising through innovative full screen ad units with a focus towards consumer experience, privacy and providing value to the mobile ecosystem. With long standing relationships with our 3rd party partners, who include the world's largest brand and performance advertisers, ad agencies, publishers, data and attribution platforms and application developers, AdColony's mission is be the highest quality mobile advertising platform in the world, delivering innovative brand experiences that evoke emotion and drive real outcomes fueled by data, technology and creativity.

With a reach of 1.5 billion unique devices and market leading SDK footprint in the top 1 000 apps, AdColony is the strongest among all independent advertising platforms and provides a strategic advantage in the marketplace.

AdColony's objective is to grow its market advantage through:

- Expanding off our proprietary Instant-Play™ technology to grow our share in the video

market, fueled by a focus on the most innovative brand experiences that drive real world outcomes and ROI for our clients.

- Lead the market in performance advertising, servicing the largest performance advertisers in the world, delivering both scale and high quality/high life time value users to our clients.
- Expanding our relationships with Publishers with focus on those who are leading the app store 1000, with innovative ad formats and an appreciation for monetization, retention and quality mobile-first consumer experiences.
- Helping both Brand and Performance advertisers reach targeted audiences globally, delivering actions and outcomes that feed their strategic and financial objectives both effectively and cost efficiently.
- Leveraging data, machine learning and artificial intelligence for ad serving that delivers targeted audiences at scale, while being transparent on our data use policies and practices all around the world
- Providing creative expertise via our in house creative agency which develops purpose built creative campaigns optimized for mobile screens leveraging art, design and creative to deliver campaigns that helps our clients deliver messaging that maximize their return on ad spend.

- Being a leader in premium programmatic technologies and processes, that balance brand safety for both publishers and advertisers, with automation, data targeting and, ultimately, high quality consumer marketing experiences that deliver real results.
- Our global footprint, with deep publisher and advertiser relationships, serviced by over 20 offices in locations around the world.

AdColony offers brand advertisers the ability to build their brands and engage with consumers by offering creative services, sophisticated audience targeting capabilities, significant audience and publisher reach, high levels of transparency and measurability on ad campaigns, and support for highly interactive and engaging advertising experiences on a full range of mobile devices, including banner display ads, interactive rich media ads and video ads. Moreover, AdColony offers advertisers the ability to purchase advertising through the traditional insertion order (IO) "managed service" method and electronically via AdColony's real time bidding (RTB) and programmatic platform. AdColony's strength is in mobile video advertising, where we have differentiated product offerings with Instant-Play™ video ad units. Our proprietary Instant-Play™ technology ex-

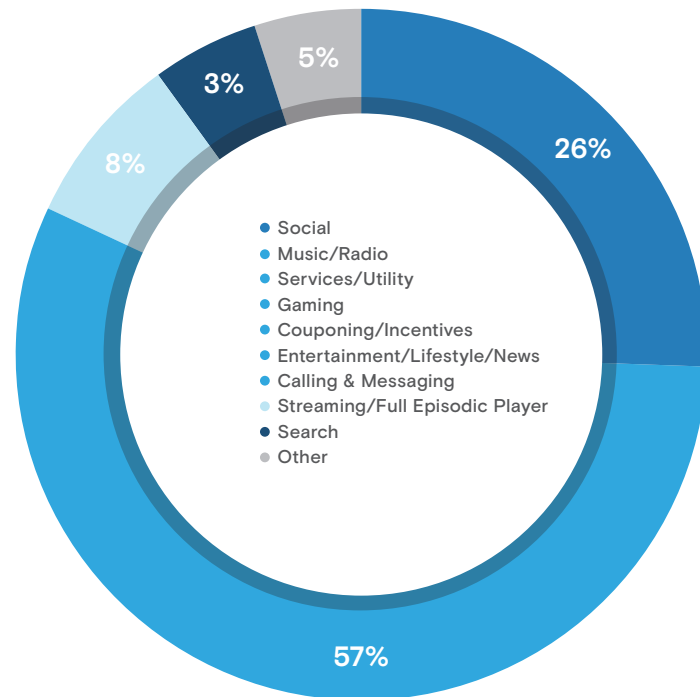
cels in delivering innovative, TV-like, crystal clear video ads instantly in HD across the most popular iOS and Android smartphone and tablet apps in the world. The video ads can be shown "anywhere" as part of a native app experience, not just as part of other video content. AdColony's proprietary Instant-Play™ video ad technology eliminates latency and long load times for video, providing the highest quality video experience for advertisers, publishers and consumers, with interactive elements to drive engagement, action and results. In addition, AdColony's highly interactive end-cards are tailored for mobile engagement, for both app installation and calls-to-action for brands.

We also excel in Performance advertising, driving a significant number of high quality application installs and other desired advertising outcomes for clients looking to acquire new users. We provide performance advertisers with comprehensive real-time targeting, real-time bidding (RTB) and real-time reporting tools on both "cost per install" (CPI) and "cost per action" (CPA) campaigns, to secure a variety of outcomes including customer sign-ups, lead generation and mobile application downloads. Customers include the majority of the AdAge Top 200 Global Advertisers, including cam-



## Consumer time spent is found beyond social platforms

AdColony reaches consumers across key categories



paings for brand advertisers as Capital One Bank, Google, Kellogg's, Microsoft, Mars Advertising, McDonalds, Verizon, Starbucks and Unilever. In addition, AdColony runs campaigns over 85% of the top grossing app developers in the world across both iOS and Android.

For mobile publishers and app developers, AdColony offers advertising technology, highly intuitive reporting and analytical tools and access demand (AdColony's direct sales force and through the AdColony Marketplace from leading third parties, helping these publishers maximize revenue from their content and user base. At the core of AdColony's success premium publishers and developers is the technology platform and software development kit (SDK).

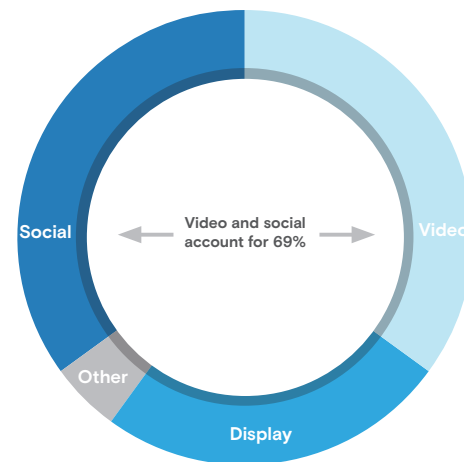
The technology platform success with mobile publishers stems from six major sources:

1. Proprietary Instant-Play™ HD video technology enables publishers to integrate video ads as prerolls, interstitial videos, value exchange videos and native videos into their content to minimize intrusiveness to consumers and maximize revenue to publishers. The Instant-Play™ HD video ads eliminate latency and run in high definition, delivering differentiated value to the advertiser, publisher and end user.

2. Access to extensive premium mobile ad demand - AdColony is able to offer publishers access to demand from the majority of the AdAge Top 200 global advertisers and demand from over 85% of the 100 top grossing app developers in the world.

3. Programmatic Offering - In addition to AdColony's managed service offerings, we have

## Advertiser Budgets



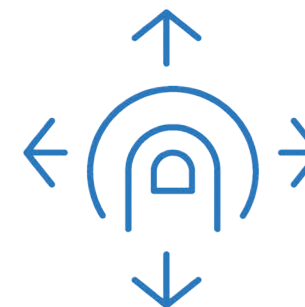
the AdColony Marketplace that offers real-time bidding (RTB) that brings advertisers, ad networks and agencies together with mobile publishers and app developers for an efficient, automated media buying and selling experience. Through the programmatic marketplace, publishers have access to a range of demand-side platforms (DSPs), facilitated by new audience segmentation and expanded targeting capabilities, designed to improve monetization of publisher properties. Publisher customers can also choose the option of setting up private marketplaces for their inventory, which brings in diverse demand sources while still maintaining publisher control.

4. Data Management Platform - Building on a legacy as a trusted partner for the management of a publisher's private data, AdColony also offers a cooperative DMP solution. Here, publishers can opt-in, consistent with their privacy policies, to share non-personally identifiable information about their consumers to improve ad targeting capabilities and drive better monetization. This helps both publishers to pool their data to provide better targeting to advertisers looking to easily identify and reach their target consumer.

5. Ad Serving & Campaign Management capabilities - powerful rich media ad serving, targeting and analytics; management, uploading, scheduling and control of "house" ads and directly sourced advertising;

6. Ad Mediation capabilities - ad performance optimization, transparency and control over ad network traffic from over 120 ad sources around the world;

## A variety of ad possibilities





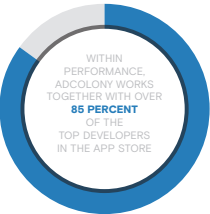


WILL KASSOY  
CEO, AdColony

COLONIZING THE FUTURE OF  
MOBILE ADVERTISING WITH APOLLO 7-11

# Performance and Brand in a universe of 1.5 billion users

AdColony's revenues are divided in two business segments: Performance and brand. 2016 has been a big year of R&D for AdColony as it has been invested heavily into the SDK. The result is a suite of new products and palette of capabilities that will last for years. In addition to the SDK a R&D investment has been high on our one platform initiative called Apollo. Apollo is divided into 5 stage: Apollo VII, VIII, IX, X and XI. AdColony is shooting for the stars of future mobile advertising.



2016 delivered a sixth consecutive year of revenue growth for AdColony. It was a record year with revenue coming in at USD 484 million, whereas more than USD 300 million was directly linked to video advertising. AdColony's position, particularly within video, programmatic and performance is growing faster than the marketplace based on strong growth internationally, both in the EMEA and Asia Pacific. Video is one of the hottest segments across mobile advertising today, and AdColony is well positioned in this space with a solid footprint which should make it possible to continue to grow the market share further.

At the same time, during 2016, AdColony spent a lot of time integrating the business and unifying the company's organization and the structure around aligned goals and team leadership. It was a question of unifying 11 different acquisitions over the last 6 years. In addition, the company has put a lot of effort into merging 5 different technology platforms. Going forward, AdColony will unify all supply and all demand under one platform, with data science and automation in the middle, under a set of projects called Apollo.

2017 is expected to offer an inflection point within media and advertising, meaning we

could see the first year where digital advertising becomes larger than television in the US. Times are changing. Times are exciting, especially since the market for mobile advertising keeps growing fast while AdColony has a set of strong assets based on its truly valuable SDK footprint. Most developers in the mobile ecosystem may integrate maximum 3 or 4 SDKs. Generally, there's a social SDK, there's an SDK for data and analytics and maybe 1 or 2 monetization SDKs. Many think of AdColony as the must-have video SDK in the mobile ecosystem.

2017, will according to plan, offer the biggest slate of new products from AdColony, which is considered by many to be the largest independent mobile advertising platform, based on the tremendous reach and scale including more than 1.5 billion unique mobile devices. AdColony has direct relationships with publishers, and the majority of these connections are through the unique SDK. Why is that important? The SDK gives AdColony better data signals and makes it possible to offer unique creativity. Within brand advertising, AdColony works with a majority of the AdAge Top 200 advertisers, and within performance, AdColony works together with over 85 percent of the top developers in the App Store.





REACHING FOR THE STARS  
WITH APOLLO 7-11

# Take me to the moon

Ignite the advertising engines. The mission starts with Apollo 7. This will be a mobile lift off. All the way through Apollo 11. Taking AdColony and its customers into the future of mobile advertising. Across one platform. The first spaceship is already ready to launch. Full effect is expected in second half of 2017. A new era lays ahead.

Apollo 7 represents an important change for the company, as it changes the main system from an ad server to a bidding engine. While an ad server basically operates only on the supply that is contained within your ad network, a bidding engine is able to acquire supply from both own assets as well as from third-party demand. With Apollo 7, supply constraints are limited as it provides the ability to access supply from third parties. It might seem like a small step, but in reality it is a giant leap forward. The shift also means AdColony typically will move away from the traditional revenue share model. A bidding engine means that AdColony is bidding net into auctions and the company will be paying out based on that model. Underneath the hood, a lot is being changed, with CORE as the driving force. In short, it is an ad decisioning engine which essentially decides how much AdColony bids for every impression. The first rollout of Apollo 7 is focused on the performance business, since the performance business is, by far, the most supply constrained. It works smoothly with other supply, besides what is currently in AdColony's network, most certainly it could contribute in generating increased revenue. Apollo 7 is already in alpha testing and it is considered to be one of the most foundational releases from AdColony in 2017. This part of the journey has already started.

Apollo 8. Currently, there is no mechanism in AdColony's ecosystem for bidding and an SDK to co-exist side-by-side, resulting in people looking at an average eCPM or an average amount of revenue paid to the publisher. The

problem is that the average price does not represent the highest price AdColony is willing to pay at any given moment. And this average is going to, by definition, be lower than others who are just bidding impression by impression. That is why Apollo 8 represents an important technological innovation, as it is considered to be one of the most innovative solutions within this space of 2017. In short, it makes it possible to bid on behalf of the SDK: Essentially, the platforms (SSPs) that are managing the publishers' waterfall, now will have the ability to call AdColony's servers and say; how much are you willing to pay for this individual impression? If AdColony win, it can trigger the SDK, meaning AdColony are in a position to get the best of both worlds. The SDK will be maintained, however, it comes with advantages since the bidding process adds value to the ecosystem or it brings value to AdColony's business.

Apollo IX, by contrast, is adding a brand-new ad product to the slate. It will mean that the company will be able to serve display ads into the AdColony SDK network. Let's say there is a concept of video plus an end card. The video is a video, while the end card is a rich media experience that follows the video. Now, we will have the ability to remove the video and serve the end card as a display unit. So what we're giving to both the brand and performance business is a full-screen display ad unit that can go into every publisher who has the AdColony SDK, generating a completely incremental revenue stream, comprised of high-end ad units and high-end creative capabilities.



**APOLLO VII**  
Bidding Engine for  
Performance Display



**APOLLO VIII**  
Flexible Supply Toolkit  
for SDK Inventory



**APOLLO IX**  
Full-Screen Display  
into SDK Supply




**APOLLO X**  
All Demand on 1 platform;  
CORE for Brand



**APOLLO XI**  
Single SDK.  
Single Portal



 **ADCOLONY**

12

12

EXIT

12

#### IGNITING THE APOLLO PROGRAM

Apollo 8 has a dependency on Apollo 7, so when Apollo 7 is ready, Apollo 8 will be ready to go later in the year. Apollo 10 is first stage in realizing operational efficiencies since it opens up for moving all demand trafficking onto the AdColony portal, which has become a bidding engine in Apollo 7. This will become the centerpiece for all campaign management and corresponding management of advertising campaigns.

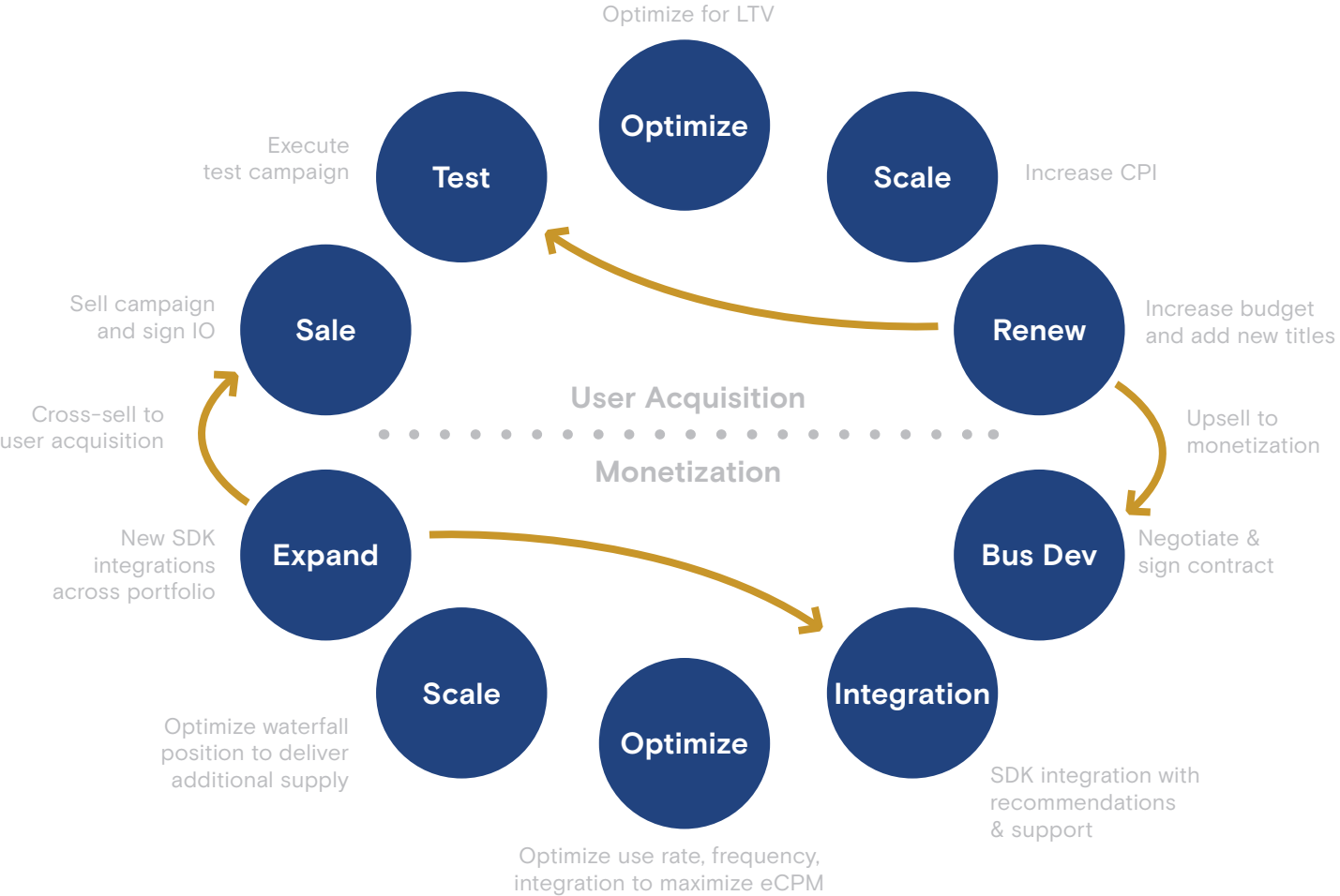
In this video, David Kurtz (Chief Product Officer, AdColony), talks a bit more about Apollo.



**DAVID KURTZ**  
CPO, AdColony



The 360° Developer Service



TRULY GLOBAL CAMPAIGNS CREATES APP INSTALLS  
AND UNLOCKS (ALMOST) UNLIMITED AD BUDGETS


# A new era of delivering results in a performance geared world

A lot has changed within performance the last 6 years since AdColony was established. Today, it is not possible to talk about performance without talking about app installs. Various sources estimates the market of app installs in the range of USD 10-15 billion. And it is growing rapidly, foremost outside the US.

The business is 100 percent direct to the developer, meaning AdColony can have a small sales team that works directly with key developers, with a full feedback cycle in real-time. Rather than selling a campaign and studying a campaign, and then watching it go in order to see what happens, campaigns are being optimized in real time based on data every day, multiple times a day, sometimes even on an hourly basis. In this sense, budgets are, unlimited.

Actually, AdColony's sales team have already signed several upfront deals with the biggest developers in the world giving some clarity of pipeline into the next 12 to 18 months with an estimated potential value of tens of millions of dollars. However, it is apparent that the campaigns are producing results. It is really a new era of what some people call growth marketing. Basically, it is marketing as a revenue generator, not marketing as a cost center, contrary to how it appears on most P&Ls. And the really



 **BRYAN BUSKAS**  
CCO, AdColony

exciting part about this business is that it is truly global. Just one team, for example; one mobile app developer in San Francisco, can initiate and operate campaigns across more than 200 countries in 10 to 15 different languages, real time, every day, continuously optimizing on the results. It gives AdColony the ability to scale the business with a small team and build great partnerships with developers. At the same time, this business is fueled by the fact that it is truly measurable from an ad serve, to a video, to a click, to an install, to how many times you come back to that app every single day. It is fully measurable, fully attributed back to the actual ad impression and the install it created. And it's fully transparent down to the publisher and on an individual app level, making it easier for the developer running ads, to really care about where and how their ads run. Some of these developers are among the biggest brands in the world, multi-billion dollar companies built on apps that are brands themselves, and they care where these ads run and how they generate performance. The whole business is built on installs generating a positive return on the developer's ad spend, that is greater than the cost per install. If it does, it unlocks unlimited

budgets in this highly reoccurring business of performance advertising.

The market is constantly evolving and the developers are looking for more scale, more results. If they are receiving a positive return on each impression, each install, they are always open to new ideas and new ways of thinking about creative. In short, that is how this marketplace is geared and how the flexibility plays out creating substantial possibilities.

**Quality over quantity**

Different surveys show that AdColony has a really strong position in this market. The world's largest social network is a powerhouse in the space; but according to a few of these surveys, AdColony is second. If you look at the top 4 or 5 partners, it drops pretty fast today. As the market is consolidating, more spend is going to the bigger platforms that have reach and scale. A clear trend among all of the 5-6 largest platforms is the move towards video. This gives AdColony a favourable position, since video has been at the very core of the company's focus way longer than any of the other large platforms in this space. Video has been a key driver of this business. Over time, ask-





SEPARATE VIDEOS, OUTSIDE THE  
LARGE SOCIAL PLATFORMS,  
MAKES UP OVER

1/3

OF ALL THE BUDGETS FROM  
THE BIGGEST APP DEVELOPERS  
IN THE WORLD

ing about the quality of the install, it is clear that key players in the market value AdColony's focus on lifetime value as it links well to the importance of quality. It's quality over quantity, even though developers want both. They want lots of installs - by users who spend money on their app - and help make lots of money, but they're really measuring quality in a number of different ways. It could be engagement with the app, it could be the number of sessions or the session time. Ultimately, it is a question of monetization. It is all about retention and monetization. Are you coming back to the app and are you spending money on the app? This is what produces positive ROI on the ad spend.

As a part of AdColony's survey with developers different questions are covered, such as how they spend your money today, how much of the budgets are being allocated to video and how much that goes to the social players? The trend is clear. As an example, one of these categories is evolving from native display ads in your social feed - for example as a video ad on Instagram - as video advertising has become a large portion of the category in social as well. Separate videos, outside the large social platforms, is really where AdColony plays a key role. It makes up over 1/3 of all the budgets from the biggest app developers in the world.





True Audience



CONTENT YOU LOVE



APPS YOU HAVE



ADS YOU ENGAGE WITH



PLACES YOU GO



AN AWAKENING IS GOING  
ON IN THE MARKETPLACE

## It is all about today's primetime and it is shifting towards mobile

Mobility is becoming a core priority of how brands and advertisers connect with their audiences today. The world's largest brands are shifting a large portion of their budget away from television directly to digital, and specifically mobile, as marketers are looking to shift their media mix to better align to where consumers are spending time.



OF A 30 MIN TV-SHOW,  
23 MIN IS CONTENT WHILE  
7 MIN IS ADS

It is all about today's primetime. Think of it as the new cable TV. It resonates with many. They are not talking about TV, or to some extent not even online. They are talking about mobile advertising. And video. It brings stories to life. It brings brands to life. And that is something AdColony is well positioned to do.

**What are the demands of today's advertisers?  
And is brand safety at its paramount?**

The awakening that is taking place in the marketplace is not going away, and AdColony has a unique position, taking into consideration that the company is working with the most popular brand safe apps in the world today. AdColony offers leading brands a variety of ways of connecting with its audience worldwide. In a period

in time where there is a great focus on social platforms, even though social only represents approx 25 percent of time spent on our mobile devices, it is time to shift the focus in the direction of mobile and video.

When we look at today's primetime, we focus on the top 1000 apps in the world - the apps that people are personally passionate about. AdColony is able to deliver advertising that is part of the experience and people aren't abandoning the experience because of the advertising. Think of it as a 30-minute television show, which today is 23 minutes of content and 7 minutes of advertising. With AdColony brands are able to create the exact right ratio, not just with a mission of serving impressions. AdColony is looking to assist the brand becoming a part of





## AdColony is different

	Platform	USP	Ad Experience	Environment	Outcomes
Other providers	Owned/operated properties are the general focus	Brand messaging runs in-feed, or before content, and is increasingly saturating the user experience	Oriented around scale and standardization, delivered through self-service	Mirror the world in which we live — increasingly creating brand safety concerns	Continued customer concerns with “walled garden” measurement; inaccuracies discovered across 2016
	Comprehensive and highly complementary, with connections across the entire ecosystem	Human curation, customer service, and creative development — at scale	Brand messaging runs full-screen, edge-to-edge, in natural content breaks; Vertical, Interactive, and purpose-built Mobile creative capabilities	“Today’s Primetime” — Entertainment, Gaming, Music — map well to the traditional environmental preferences of advertisers.	AdColony SDK+ Integrated with a suite of best-in-class, 3rd-Party solutions providers



*“You often hear advertisers saying they are getting uncomfortable with such a large portion of ad spend going to just two players. If there can be a third or fourth player they are interested in spreading the wealth beyond the duopoly.”*

**Cathy Boyle**  
Principal Analyst, eMarketer

*“To deliver our clients an effective ROI, we need to help them engage with their customers across all of their daily mobile activities -- using a breadth of high quality publishers and technology partners to extend well beyond FB and Google properties.”*

**Travis Johnson**  
Global President, Ansible (IPG)



*“At the end of the day, walled gardens are an existential threat to marketing.”*

**Lou Paskalis**  
SVP Media, Bank of America



**MIKE OWEN**  
Chief Revenue Officer,  
Brand, AdColony

the experience, be integrated in the experience, which is made possible by AdColony's unique SDK. A way AdColony has been working on adding additional value to brands and advertisers, is by taking all of those signals and building a product called True Audiences. Due to the reach and the underlying technology, AdColony has a broad understanding and foresight of what people are doing, and we can see the type of content that they are spending time on. AdColony sees the types of ads that the users engage with. Today, our apps really reflect who we are as human beings, the things we're passionate about and at AdColony we believe that is an incredibly important signal for marketers to really get closer to the customers that they are trying to engage through a targeted approach.

As a part of AdColony's development of True Audiences, more than a dozen core segments was built and it has proven to be incredibly effective. At the same time, AdColony is starting to work with many brands to build custom segments. So while True Audiences are more or less straight off the shelf, they are proven and they perform really well. In collaboration with customers, AdColony is now in the process of customizing this for the right type of ads to the right consumer as many advertisers have different demographics and psychographics. AdColony can create something special for each brand.

**76 awards in 2016**  
In 2016, AdColony won astonishing 76 creative awards around the globe, creating a testament

to the quality of work. For AdColony, as a brand organization, an important goal is to try to reduce the friction in terms of how brands want to transact with the company. As a result, marketers can transact with AdColony in 3 different ways.

The first is managed services, which has been a higher-margin business, involving our full suite of services from custom creative, account management and reporting. The second way to transact is through our private marketplace. And finally, there is the open marketplace. Today, managed services is the main focus with the majority of AdColony's customers from Fortune 100 and all the way to Fortune 500. However, we are well positioned to transact in both a private market, and/or open marketplace in the AdColony Marketplace, as the market shifts in the future.

There is three different ways that advertisers, marketers and brands can operate with AdColony, and the company does not necessarily have a point of view in terms of how somebody should transact. There are limitations to what can be done creatively and certain things that cannot be done programmatically, so there are things that steer people and brands in different directions. That is great and exciting.

Going into 2017, AdColony probably has the deepest relationships with customers than ever before, and it will probably open up opportunities as we move into second half of the year.







# Experienced, talented and skilled mobile ad experts

## Values and Employee Branding

People come to AdColony because they want to be challenged, and contribute to the future of mobile ad technology. They stay because of the collaborative and engaged culture, emphasis on continuous growth, and opportunity to go beyond both personally and professionally.

We live by the creed, "one team, one dream." We work and win as a team with a shared commitment to our mission and vision. Each team member has a unique background, skillset, and perspective that is leveraged towards our collective success as a company.

Working at AdColony means that we know our employees are the best at what they do, and they are empowered to define the vision of their contribution to the success of the overall goals of our company. We give our employees the opportunity to lead in their roles and we reward them for that success in kind. We ensure that employees have the tools and internal support they need to grow and develop in their careers.

We are passionate about providing high quality mobile advertising experiences to our clientele, and because of this we don't take shortcuts for "instant gratification". We believe that customer service, bar-raising standards, and next-level innovation will build stronger relationships for the future.

This same commitment to quality, integrity, and respect translates to our workplace. We treat our employees with care and pride ourselves on a culture rooted in respect, integrity, and an unwavering commitment to be the best. It's an essential ingredient for our success.

At AdColony, we believe in the power of open and dynamic communication. Whether at our global all-hands meetings or chatting with executive leadership at our regional Q&A's, our employees stay up-to-date on our company's successes, challenges, and opportunities. We pride ourselves on a team that not only understands our company's vision and strategy, but knows how they directly impact those goals.

## Talent Acquisition

Our primary focus in talent acquisition is in finding the right cultural fit in our new hires. We believe that culture is everything and that if a candidate exhibits the values and competencies we believe in and live by, the rest, including success, will follow.

Our Talent Acquisition team works globally to ensure alignment across regions and continuously adapts to changing organizational initiatives and priorities.

With an increased focus on referrals from our employees, 2016 was a record year for hires through our internal network. A full 48% of our open roles for the year were filled through internal networks. With a strong focus on tech, product and data science hires - areas of intense competition in our market - being able to leverage our trusted networks to continue to build our company and brand is tremendously valuable.

## Career Development

Most companies do annual performance reviews. At AdColony our aim is to develop careers through agile performance. This means we are development focused; increasing behaviors and results needed to enhance performance capability. We are about performance tracking and coaching by immediate feedback all throughout the year.

We empower employees to take ownership of their personal development and career growth. Managers recognize that developing people is an important day-to-day management practice. AdColony makes the development of our people a business priority.

This past year we built the foundation for our career development philosophy including systems to help facilitate agile performance and rolled out our career management process to our global population.

## Global Alignment

Human Resources embarked upon a project to unify our many entities, and acquisitions across the globe, under a single name and entity.

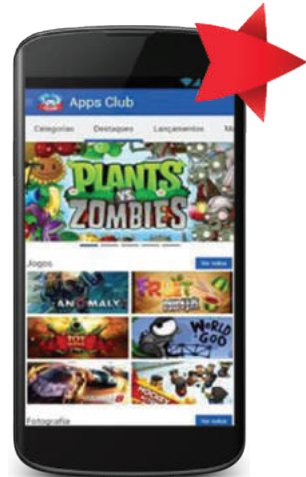
We worked to bring global employees together under a single job leveling structure. We examined our culture, business strategy and HR strategy to drive the direction for our total rewards strategy and guide the design of our rewards mix aimed to attract, motivate, and retain the right talent. We assessed our market competitiveness across global compensation and benefit programs and made changes to our total rewards offering including leveling benefit offerings worldwide and implementing unified global incentive plans that are adaptable to regional differences.





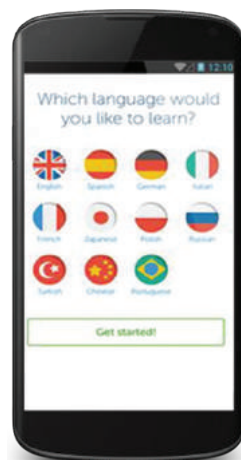
**APPS & GAMES:**  
CREAVING FUN &  
ENTERTAINMENT





### APPS CLUB FAMILY

Addressing the subscription app demand of emerging markets



### STANDALONE SUBSCRIPTION APPS

Distributor of premium app based services in emerging markets



### MOBILE COUPONING

Market leading couponing service in Brazil

BEMOBI GIVES YOU ACCESS TO A VARIETY OF APPS & GAMES IN A TOTALLY NEW WAY

# Subscribe to the future of fun and entertainment

Apps and games is great fun for an increasing number of users. The cornerstone of Opera's Apps & Games offering is AppsClub, a leading subscription-based discovery service for mobile apps in Latin America and beyond. AppsClub offers a unique, "Netflix-style" subscription service for premium Android apps.

APPSCLUB REACHES OVER  
**±2 BILLION** MOBILE SUBSCRIBERS

Working with mobile operators, Bemobi's proprietary app-wrapping technology allows smartphone owners access to unlimited use of premium mobile apps for a small weekly fee. Users pay for this service through their mobile operator billing systems, making the service highly effective in emerging markets, where credit-card and debit-card penetration is low.

Opera announced the acquisition of Bemobi in second half of 2015 and 2016 was Bemobi's first full year of operation as a part of Opera. Following the acquisition, Bemobi has enforced its leading position in the subscription-based premium application distribution space within Brazil and across LATAM and Mexico, while expanding into key markets in other parts of the world.

Bemobi provides a comprehensive distribution and monetization service for premium, free-mium and free application developers. Apps & Games is a rapidly growing business area in Opera. The pace is picking up fast, and only during the last year, the revenue growth has

increased substantially. Opera's revenue in Q4 2016 within Apps & Games increased with solid 45 percent, compared to Q4 2015. In 2016, Bemobi's revenue came in at almost USD 50 million and the business is expanding fast. This has been possible due to Bemobi's strength in distribution and monetization of premium mobile applications.

In a nutshell, Bemobi, is a so-called B2B2C company. Instead of selling directly to a consumer, so-called traditional B2C, Bemobi typically partner with large companies, mostly mobile carriers or in some cases smartphone OEMs. Through partnerships with these companies, Bemobi is able to offer its service to the consumers. Going into 2017, Bemobi has close to 50 partnerships with various carriers spread across the world, making it possible to offer subscription-based services providing access to apps and games for 18 million consumers.





In most countries where Bemobi is offering its services, Android is the dominant mobile oper-







### The app subscription model

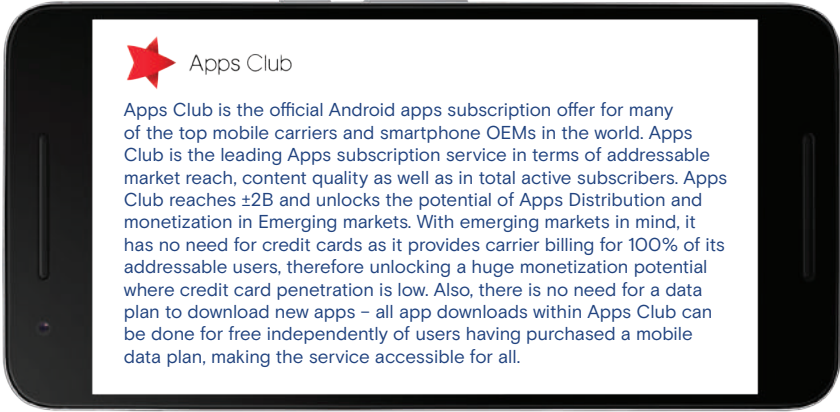
	Free Ads based	Paid subscription “Unlimited usage”	Paid Transactional
 Music	tunein	Spotify	CDs / iTunes
 Video	YouTube	Netflix	Blockbuster
 Apps	Google Play / App Store	 Apps Club	Google Play / App Store

ating system with a market share of close to 90 percent. At the same time, with the exception of the US, emerging countries dominate in terms of app downloads, however, in these markets monetization is difficult for app developers. In short, this provides an interesting opportunity for Bemobi, as it offers a totally new way of distributing apps and games by connecting users, mobile carriers and app developers to the benefit of all parties. The result is more fun for mobile customers, new revenue streams for mobile operators and increased monetization for mobile app developers. However, monetization is not easy in a lot of these markets as credit cards are not widely available. Not everyone has a credit card, but in many developing countries, almost everyone has a mobile phone. It is mostly prepaid plans, and through Bemobi, customers are given the opportunity to use airtime as a way of paying for digital content.

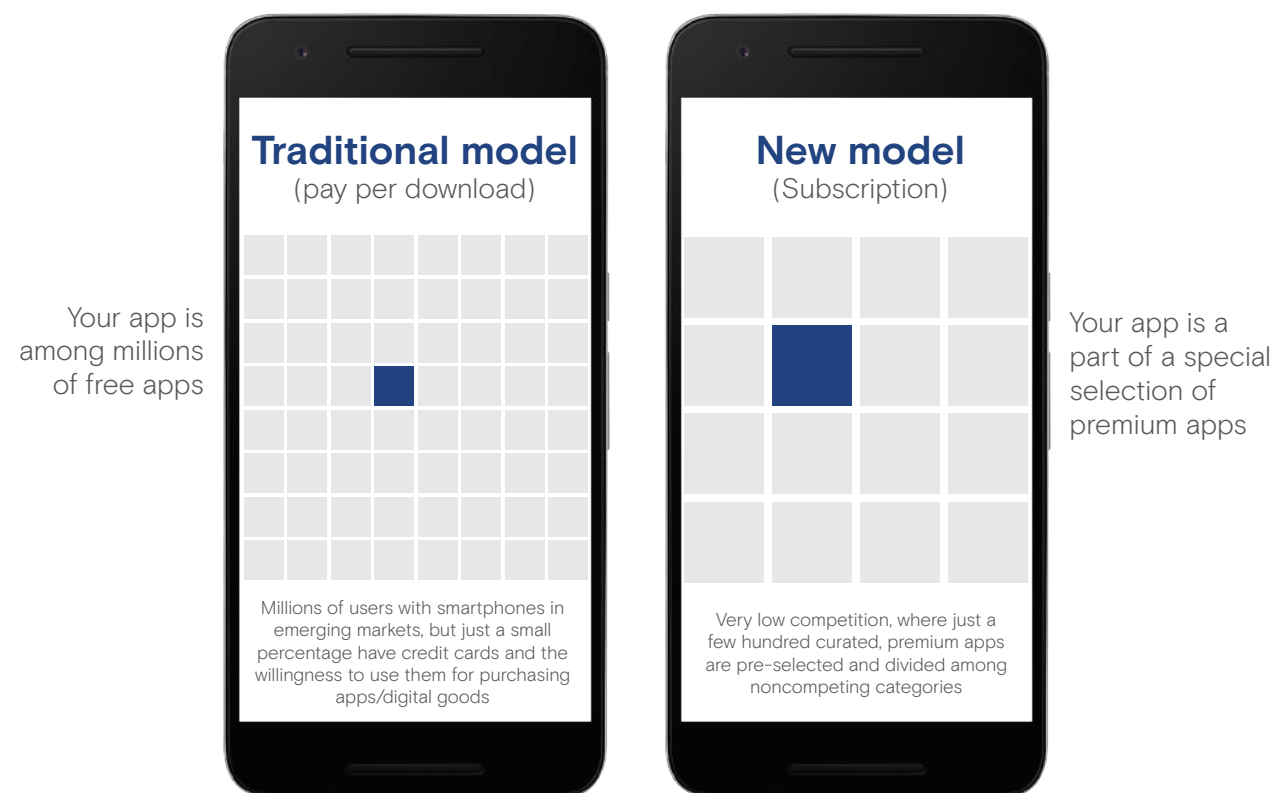
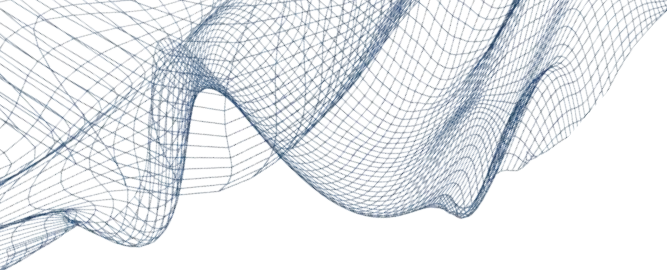
Bemobi is based on the strategy of closing the gap between all of these differences and difficulties. The result has become a very scalable, rapidly growing and profitable business.

As an example, limited data packages as a bundled part of the mobile plans in emerging markets, could create difficulties, if it would result in customers not downloading apps and games even though they wanted to do so. In order to resolve this, Bemobi has developed a solution that makes it possible to deliver apps in smaller sizes, partly leveraging WIFI for free-access to download and distribution. At the same time, Bemobi are able to offer mobile operators a platform for interacting with its customers offering additional data packages and other services which actually is tailor-made and delivered by Bemobi. In this way, Bemobi also adds value to the mobile operators, contributing to create new and additional revenue streams across its customer base. At the same time, Bemobi benefits from better access and increased potential engagement related to subscription of apps and games through its Apps Club.

Apps Club by Bemobi is a concept developed on the basis of a crucial acknowledgment: The app economy has really just been two-dimensional, dominated by two strongly differentiated business models, the left and the right. Either it is based on offering free apps purely based on advertising, in contrast to, paid apps which users either pay to download or customers do small in-app transactions. Although this market is being highly dominated by 2 players, Google and Apple, Bemobi realized that there is a great opportunity to develop the middle ground, as it offers a set of untapped business opportunities. Combined with the strategy of pursuing these opportunities primarily in emerging markets, where the needs of a new business model was apparent while the potential was underexposed, Bemobi set out on an encouraging journey a few years ago. Instead of replicating what Google and Apple seems to be doing really well, Bemobi utilized the opportunity to bundle







a lot of good apps at a much lower cost point making it both competitive and appealing for that specific segment.

Today, Bemobi primarily offers its services through Apps Club. At the same time, as another opportunity along with Apps Club, we realized there are other services that we can monetize together by offering specific apps as a subscription. Through Apps Club, which is Bemobi's primary source of revenue and growth, the company is curating what is considered to be the most relevant and best apps. It is offered as a subscription giving access to a lot of apps. Sometimes Bemobi can offer specific bundles tailored to fit different user groups, including potential bundles for kids, sometimes for gamers, sometimes for general utility. In short, different packages address different needs. In the vast majority of the cases, it is offered through the mobile carrier. However, Bemobi has also entered into partnerships with OEMs, including the very largest producers of mobile phones, who preload the subscription service into all their phones. This results in valuable branding and distribution capabilities making it possible to promote the service in cooperation with the partner. Most of the time, Bemobi's business model does not require the use of a

credit card as the mobile carrier's established billing routines are utilized for payment. Most of the time, the subscription is initiated by an offer of a free trial period, meaning that no payment is due upfront. Typically, Bemobi could offer access to a glimpse of the content that the customer would consider to be of great value for a week or two weeks, and after that period of time, it becomes a paid subscription.

At the end of the day, Bemobi has partnerships in two different parts of the value chain. Carriers are offering distribution while content partners or app developers are offering access to apps and games. Bemobi manages the settlement of revenue share, including dozens of revenue flows coming from different carriers as well as millions of consumers. The revenue is divided based on agreed metrics, such as usage, and it is split between the different providers across 40 or 50 countries. Bemobi provides the technology platform, and the apps, connecting users with great content from publishers that makes their best apps available so that Bemobi can bring them to the consumers of mobile operators across the world. The value proposition is clear for all parties and the model is sustainable.



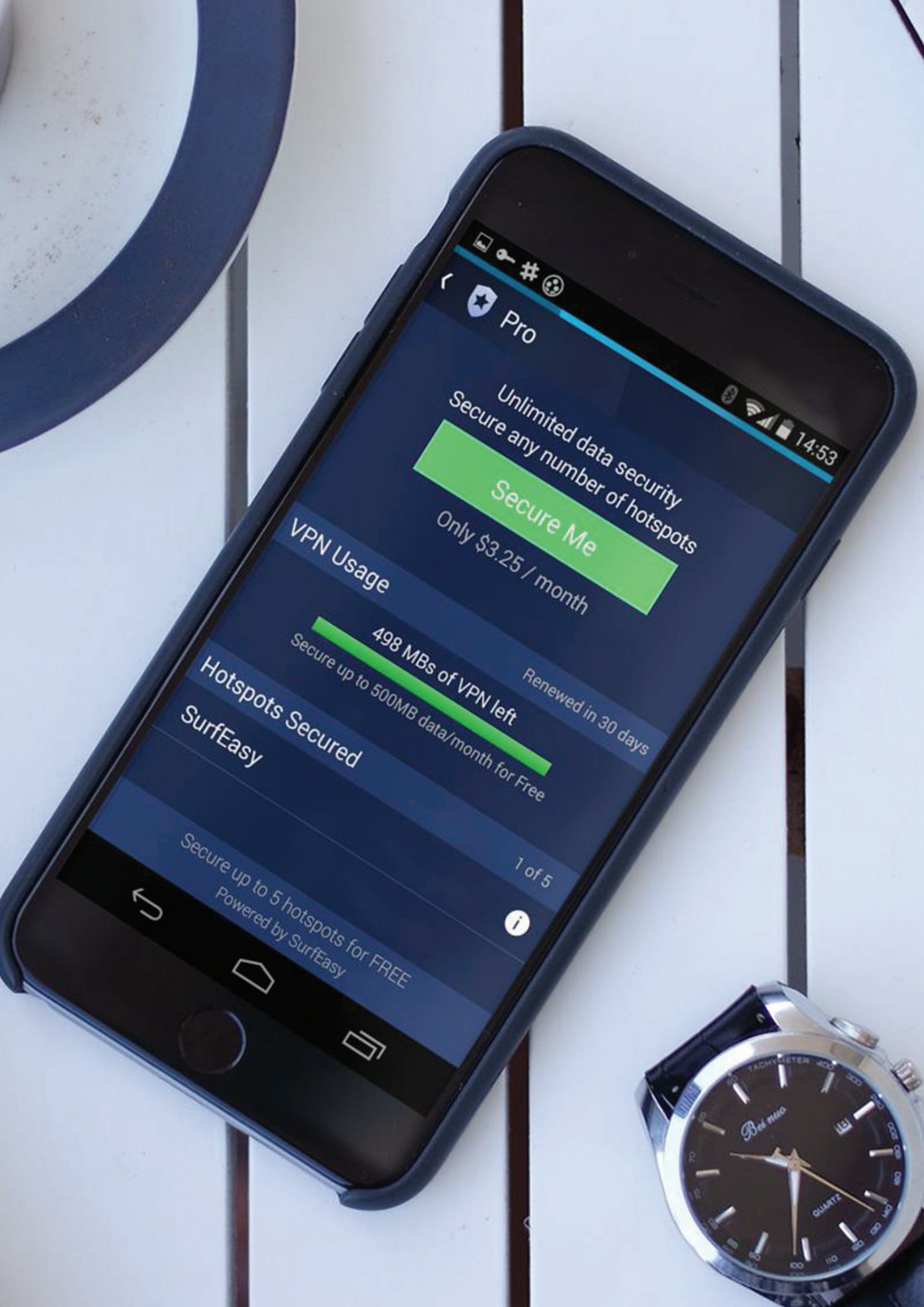
**PEDRO RIPPER**  
CEO, Bemobi





**PROTECTING THE FUTURE:**  
WHY IS FAST SO IMPORTANT  
AND WHO WATCHES WHAT  
YOU DO ONLINE?





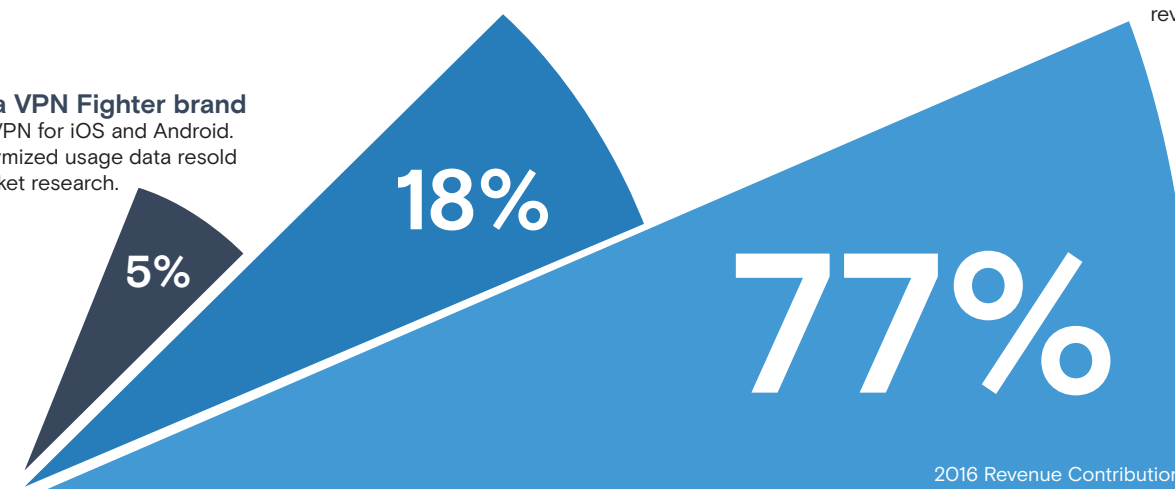
**Opera VPN Fighter brand**  
• Free VPN for iOS and Android.  
• Anonymized usage data resold for market research.

#### Partners

- White labeled VPN solutions for 3<sup>rd</sup> party brands.
- Non-recurring engineering and recurring service revenue.

#### SurfEasy Direct

- SurfEasy branded VPN for mobile and desktop.
- High ARPU recurring subscription revenue.



2016 Revenue Contribution

SurfEasy monetize its VPN technology across 3 primary business units

INCREASED AWARENESS ON CONSUMER ONLINE PRIVACY  
FUELS GROWTH AND STRONG MARGINS FOR SURFEASY

## A secure gateway to your own privacy

SurfEasy's core solution is a personal VPN based on a vision of protecting consumer online privacy. Increased awareness in the technology area around consumer online privacy drives growth and strong margins while the landscape of privacy and security keeps shifting as ISPs in the US now can resell your web browsing history. In 2016, the result was 84 percent growth for SurfEasy as the subscription revenue grew an average of 4 percent month over month making SurfEasy profitable as a standalone business in 2016.

SurfEasy provides simple to use solutions to help consumers protect their online privacy, security and freedom. SurfEasy's popular VPN applications encrypt the data "in and out" of a consumer's iOS, Android, Mac or PC device. Opera's growth within VPN technology has increased further following the recent repeal of law in the U.S. (March/April 2017) allowing Internet Service Providers (ISPs) to resell customers' data and web browsing history.

In 2017, it is expected that SurfEasy Direct will continue to generate two-digit revenue growth, while growth from partners and embedded products is expected to be even higher in terms of percentage points.

#### SurfEasy Direct

During the last 2 quarters of 2016, SurfEasy Direct generated an average revenue per unit

(ARPU) of about USD 4.50 monthly, and with most customers on annualized subscriptions, the result is a strong and deferred revenue base. SurfEasy has successfully been able to drive a solid reputation leveraging a freemium subscription model that encourages the customers to help promote the product while at the same time deepening their engagement. The cost of goods sold related to SurfEasy Direct is also low, dependent on the channel of customer acquisition, with the app stores taking a higher share compared with direct sales to consumers. This business was profitable in 2016, even though a large portion of costs in 2016 were related to hosting fees, as these fees are low on a per-user basis.

#### Partners and third-party brands

SurfEasy has been running a partner platform for a few years and basically, it is the compa-





ny's core VPN solution or back-end network, including SDKs and APIs that enable clients to access SurfEasy's platform in a way that is streamlined with third-party brands. In fact, SurfEasy powers the back-end solutions for the partners, even though the products are branded with third parties. Over the years, SurfEasy has entered into contracts with antivirus providers, OEMs and credit protection companies. SurfEasy's partner product provides additional customer reach without investing heavily in marketing and sales making it possible to reach additional market segments. The focus is on working with Tier 1 brands providing SurfEasy with the ability of reaching further, through their existing customer bases and distribution channels. SurfEasy powers the back-end solu-

tions, generally based on a model of revenue sharing, related to providing those services.

#### Opera VPN products

In 2016, in partnership with Opera's consumer division, SurfEasy launched Opera VPN products. This new and exciting partnership has seen a lot of success, creating interesting opportunities going forward. Opera VPN is a mobile product, for iOS and Android, as well as a desktop product. This is a unique mobile product which is not based on a paid-subscription model. It represents an exciting and emerging trend of free VPN products that aren't monetized by a subscription. Some users have an utility approach to VPN, focused on unblocking censorship, getting access to content that

may not be regionally available or making sure the WiFi connection is secure. In exchange for providing a free VPN service, those customers give permission to aggregate and anonymize the usage data. Unlike SurfEasy's branded VPN product and partner solutions, which have no logging of what customers do, this is actually based on getting an understanding of the mobile ecosystem by anonymizing and aggregating usage information - which on an anonymized basis - can provide unique market intelligence within a variety of sectors related to usage within the various mobile ecosystems. This is particularly interesting on iOS, where there is very little insight available into the ecosystem. The technology makes it possible to identify and correlate app usage - which is an-

onymized - meaning that no personal information is shared. Going forward the focus will be on rebranding and monetizing the Opera VPN solutions for iOS and Android.

Since SurfEasy was acquired by Opera, the company has delivered a solid year-over-year growth, and this trend is expected to continue in 2017. In 2016, quite a lot of SurfEasy's revenue came from non-recurring engineering fees. In 2017, it is expected that most of the revenue will be based on annualized subscription fees, which gives a solid and deferred revenue base with an interesting and quite predictable growth potential.



## SurfEasy monetize its VPN technology across 3 primary business units:



### SurfEasy Direct

Sale of SurfEasy branded VPN applications direct to end users. During 2016 revenues for SurfEasy Direct grew an average of 3 percent monthly, increasing to 4 percent on a monthly basis going into 2017, with growth coming from improved subscriber funnel management and the launch of a new annual subscription package (USD 99) which has grown to constitute more than 20 percent of SurfEasy's new paid plan subscriber mix. The vast majority of SurfEasy Direct subscribers are mobile-first customers.

### Partners

SurfEasy's VPN network and client side SDK's power branded solutions for third parties. During 2016 SurfEasy expanded its partners through the development and launch of mobile VPN solutions for one of the world's largest consumer internet security companies. In addition to one-time development fees, the ongoing revenue share relationship is expected to grow significantly in 2017 and beyond. With increased consumer demand for online privacy solutions, strong continued growth is expected as a results of new and existing partnerships.

### Embedded Products

One of the key motivations for Opera's acquisition of SurfEasy in 2015 was to deploy embedded VPN solutions to differentiate Opera Consumer products. In 2016, SurfEasy's VPN Solution was embedded into the Opera Desktop Browser making Opera the first web browser with native VPN functionality. In addition, two new standalone Opera branded VPN solutions were launched for iOS and Android. Opera Embedded VPN solutions have grown rapidly since its launch (summer 2016) and the growth pace has increased further following the recent repeal of law in the U.S. (March/April 2017) allowing Internet Service Providers (IPSS) to resell customers' data and web browsing history.

## POSTCARD OR ARMORED TRUCK?

Sending your data without encrypting is almost like putting it on a postcard

Everyone that touches it or handles it is able to access your information - who it is going to; intercept, block, even change it. Using a VPN is almost like putting the postcard in a sealed envelope, sending it in an armored truck - driving it through a tunnel - that nobody knew existed. It is private and it is secure. It is just a better way to securely connect your data.

### Without a VPN - You're Exposed

When you connect to the internet, all of the data sent in and out of your device is generally unencrypted. Anyone with access to the network (such as a Wi-Fi hacker) is able to monitor, block or intercept your online activities.

When you connect to a website or application - your device is sending information like your IP address that allows you to be identified, tracked and monitored by the website.



### With SurfEasy - You're Secure

We create an encrypted connection between your device and our Global Private Network. All of your data is wrapped in bank grade encryption ensuring its secure, private and unrestricted.

Before we send your data to the website or application, we remove personally identifiable information like your IP address and replace it with ours to give you control when you identify yourself to the web.



CHRIS HOUSTON  
CEO, SurfEasy





COMPRESSION MAKES EVERYTHING FASTER

# The sky is the limit

Today, typically 60 percent or more of total mobile data consumption is video content, putting pressure on the operator's existing network capacity. Skyfire enables mobile operators to optimize its network performance and quality as data traffic and the consumption of mobile video is exploding among mobile users. The unique technology also enables operators to pursue new business models and revenue streams while benefiting from increased technological flexibility as customer data is compressed.

ROCKET OPTIMIZER PROVIDES  
OPERATORS WITH AN INSTANT

# 60%

BOOST IN BANDWIDTH  
CAPACITY ACROSS  
SMARTPHONES,  
TABLETS &  
LAPTOPS

At the same time, mobile operators face increasing downward pressure on average voice revenue per subscriber, and as competition heightens, operators around the world are looking for new sources of revenue, differentiation via data services as well as network performance and quality, and solutions to manage the explosion of mobile video and multi-media data network traffic spurred by the rapid adoption of smartphones and tablets.

#### Fast as a rocket

Rocket Optimizer is Skyfire's flagship product addressing operator needs in regards to managing the explosion of mobile video data traffic. It is designed for operator deployment and it provides operators with an instant 60 percent boost in bandwidth capacity across smartphones, tablets and laptops. Rocket Optimiz-

er allows mobile operators to leverage cloud computing to optimize and compress video and other multimedia traffic, in example on crowded cell towers including 3G and 4G LTE networks, enabling operators to boost the capacity of their networks significantly while at the same time offering better network performance and quality to their mobile customers. Skyfire has signed distribution partnerships with Huawei and Nokia. In particular, Huawei has become a very important partner, and during 2017 a new joint solution with Huawei will be made generally available. Meanwhile, video continues to be a significant problem on mobile operators' networks. As long as video content keeps becoming more and more popular among users, video optimization technology will probably continue to be a core part of the solution for mobile operators.



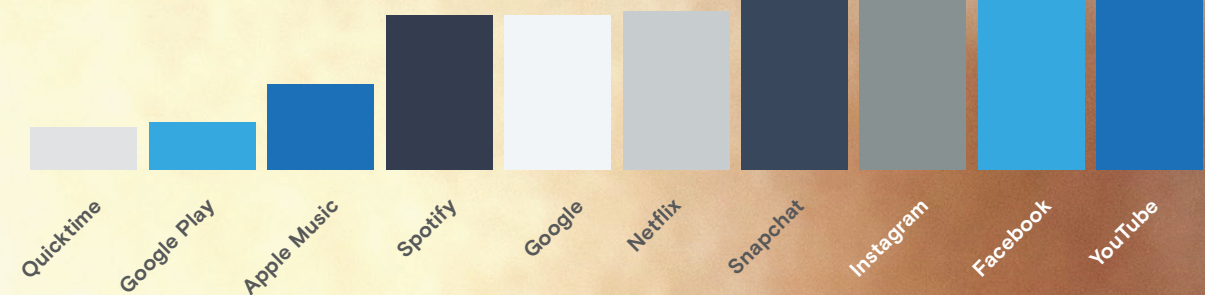




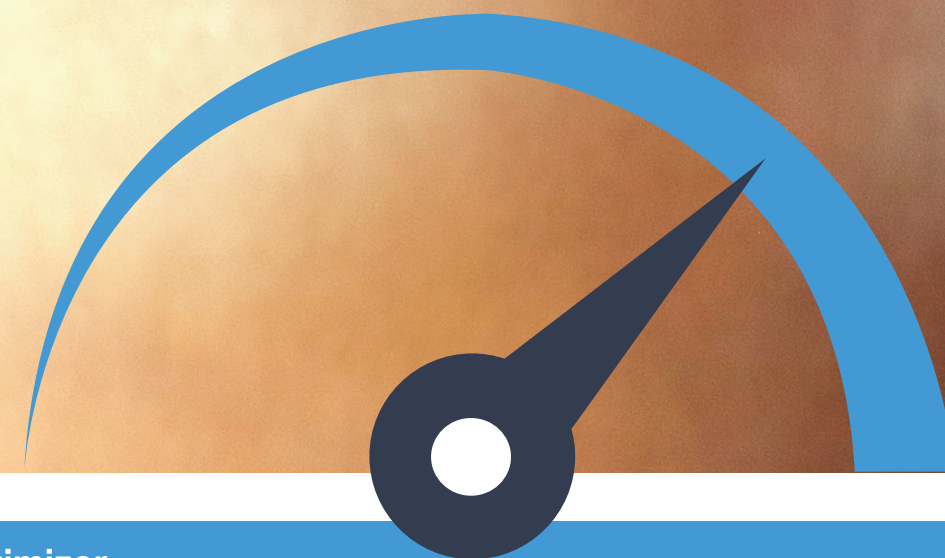
DAVID BROWN  
CEO, Skyfire

## Bandwidth Drivers

Video continues to be a huge problem in terms of capacity on mobile operators' networks. Here is a recent example from Telenor in Norway revealing the primary bandwidth drivers based on which services that are consuming bandwidth in the Telenor network. The first 5 services are all video-heavy services, with YouTube and Facebook at the top. In fact, today worldwide more than 60 percent of traffic is typically driven by video. There's a couple of driving forces behind this development. First of all, cheap and unlimited data plans are offered by mobile operators that make people feel they don't have to conserve data. Earlier, many waited to get on a WiFi network, however, now they use video and play video. Wherever. Whenever. Secondly, video quality continues to go up. Just a few years ago, a typical mobile video was only 360p, or maybe 480p. Today, many services offer HD, while YouTube are starting to move into 4K. On top of increasing video consumption, the increased demand for high quality video is pushing bandwidth higher. And still, 5G is years ahead, so more or less all over the board it is difficult to manage the traffic growth.



Source: Telenor Norway, March 2017



### Focus on profitability

The traditional approach to Rocket optimization technologies has been wanting to optimize - to crunch down the traffic as much as possible - so that it reduces the investment in CapEx. However, the motivation has changed. Now the focus is on improving the quality of experience among users while utilizing the technology to monetize, for example by in-

roducing new packages similar to unlimited packages offered in the US, with an objective of making video optimization technology part of the package.

In 2017, Skyfire focus on growing its pipeline and increasing its market share further. As a part of this, Skyfire focuses on making sure that the core business is profitable.

## Rocket Optimizer

The Rocket Optimizer™ NFV (Network Functions Virtualization)-friendly mobile video, audio and data optimization solution, which can detect when specific users are facing poor network connections and then intervene in milliseconds to improve network quality and performance for that user, helps operators manage unpredictable spikes in demand. Rocket Optimizer™ can optimize encrypted (HTTPS, QUIC, or DRM-protected) and unencrypted (HTTP) video traffic while minimizing start times, rebuffering, and stalls on video and audio streams that frustrate mobile users around the world. The Rocket Optimizer™ solution provides operators with an instant 60% boost in bandwidth capacity across smartphones, tablets and laptops on 3G and 4G LTE networks. Its flexible cloud architecture and intelligent traffic steering dramatically reduce an operator's total cost of ownership, in comparison with the cost of legacy in-line hardware solutions, while enabling the operator to provide best quality of experience (QoE).



# Global presence

Opera Software ASA is a truly global company, in all aspects, with a diverse staff from all over the world, presence in local offices from San Francisco to Seoul and audience reach in nearly all the countries on the planet.

Opera Software ASA is able to serve mobile advertisers and publishers all over the planet, with the ability to deliver advertising scale both locally and globally. With a local presence from Brazil to the United States, Opera Software ASA enables the world's top brands and agencies to reach the right customer, at the right time, in the right place and on the right device.

Opera Software ASA is with four separated companies positioned for growth and profitability all across the world.

- OPERA SOFTWARE ASA
- ADCOLONY
- BEMOBI
- SURFEASY
- SKYFIRE

APPSCLUB REACHES OVER  
**±2 BILLION**   
MOBILE SUBSCRIBERS

**905**  
EMPLOYEES &  
EQUIVALENTS

**1.5**  
BILLION  
UNIQUE DEVICE  
REACH AND SDK  
FOOTPRINT IN THE  
**TOP 1 000 APPS**





PETTER LADE  
CFO, Opera Software ASA

# Investor Relations

INVESTOR RELATIONS POLICY

Communication with shareholders, investors and analysts, both in Norway and abroad, is a high priority for Opera. The company's objective is to ensure that the financial markets have sufficient information about the company in order to be able to make informed de-

cisions about the company's underlying value. Opera arranges regular presentations in Europe and the United States and holds frequent meetings with investors and analysts. Important events affecting the company are reported immediately.

KPI [2011-2015]	2012	2013	2014	2015	2016
Revenue (\$ million)	216.0	300.1	480.8	454.2*	536.7*
Adjusted EBITDA* (\$ million)	63.5	86.6	118.0	55.9*	49.1*
Operating cash flow (\$ million)	37.6	49.5	58.6	56.0*	3.1*

\* EXCLUDING CONSUMER AND TV BUSINESS

Company	Analyst	Telephone
ABG Sundal Collier ASA	Aksel Engebakken	+47 22 01 61 11
Arctic Securities ASA	Oscar Semb Fredricsson	+47 21 01 32 89
	Henriette Trondsen	+47 21 01 32 84
Carnegie ASA	Håvard Nilsson	+47 22 00 93 78
Danske Securities ASA	Martin Stenshall	+47 8540 7073
DnB NOR Markets	Christer Roth	+47 2416 9181
Enskilda Securities ASA	Fredrik Thoresen	+47 2100 8554
Fondsfinans	Erik Hjulström	+47 23 11 30 64
Jefferies	David Reynolds	+44 (0) 207 029 8694
Handelsbanken	Daniel Djurberg	+46 8 701 55 75
Morgan Stanley	Sid Mehra	+44 (20) 7425 2686
Norne	Karl-Johan Molnes	+47 97 47 60 64
Pareto	Fredrik Steinslien	+47 24 13 21 54

SHAREHOLDERS WITH OVER 1% OWNERSHIP

- Folketrygdfondet
- Ludvig Lorentzen AS
- Sundt AS
- Ferd AS
- Arepo AS
- Lazard Freres Banque
- Geveran Trading Co LTD
- Verdipapirfondet DNB Norge (IV)
- Verdipapirfondet DNB Nordic Techno
- Clearstream Banking S.A.
- VPF Nordea Norge Verdi
- VPF Nordea Kapital
- DNB Livsforsikring ASA
- The Bank of New York Mellon N.V.
- Skandinaviska Enskilda Banken AB
- Euroclear Bank N.V.
- Opera Software ASA

SHAREHOLDERS



66.9%	Norway-based accounts	68.7%
8.9%	U.K.-based accounts	8.6%
8.0%	Luxemburg-based accounts	4.1%
1.4%	U.S.-based accounts	3.5%
14.8%	Accounts based elsewhere	15.1%

\* NON-IFRS EBITDA EXCLUDES STOCK-BASED COMPENSATION EXPENSES, EXTRAORDINARY/ONE-TIME COSTS AND ACQUISITION RELATED COSTS.





# Board of directors

## Chairman, Audun Wickstrand Iversen

Audun Wickstrand Iversen is a private investor. Over the last ten years, he has focused primarily on the telecom, IT and alternative energy industries. Previously, Iversen worked as a financial analyst at DnB Markets and as a portfolio manager at DnB Asset Management, with responsibility for global telecoms and alternative energy. He holds a degree in business administration from the Norwegian School of Management (BI) as well as degrees from Norwegian School of Economics and Business Administration (NHH) and the University of Oslo.

## Member, Marianne Blystad

Marianne Heien Blystad is an Attorney at Law with the law firm Ro and Sommeres in Oslo. Apart from her legal experience she has long time experience from corporate banking, shipping and offshore from both Norway and the USA. She currently holds directorships with Eksportfinans ASA, Edda Utvikling AS and Songa Shipping. Ms. Blystad holds a business degree (Siv.Øk.) from the Norwegian School of Business and Economics, (Handelshøyskolen BI) and a Law degree from the University of Oslo.

## Member, Sophie-Charlotte Moatti

SC Moatti is a technology visionary, early stage investor and former Facebook executive. Today, she invests in products that transform lives and create value at scale. Previously, she built mobile products that billions of people use. Moatti is the managing director of The Angels' Forum, an early-stage investment firm, and the founder and managing partner of Products That Count, a community of 15,000+ product managers and innovators. She also serves on boards of both public and private companies. A bestselling author, Moatti frequently keynotes on mobile transformation and business growth, and has been featured in The Wall Street Journal, The Harvard Business Review, and on NPR.

She lectures at Stanford Graduate School of Business, where she earned her MBA and has a Master of Science in electrical engineering.

## Member, André Christensen

André Christensen has extensive strategic and operational experience from the Media, Internet, and High Tech industries across Europe, North America and Asia from the last 25 years. He currently heads development of Entertainment Services for AT&T/DIRECTV based in Los Angeles after serving as the Chief Operating Officer and co-owner with the OTT/IPTV service provider Quickplay Media until acquired by AT&T in 2016. Prior to this he was the SVP Business Operations and Strategy at Yahoo globally after 12 years with McKinsey & Company as a partner establishing and leading the Digital/Business Technology practice in Canada as well as the Global Operating Model service line worldwide. Mr. Christensen currently holds a board position with Broadnet. He has also been a successful entrepreneur and has a MSc/ DiplKfm degree from University of Mannheim.

## Member, Frode Jacobsen

Frode Jacobsen is the CFO of Opera Software AS, the former subsidiary of Opera Software ASA that was divested in November 2016 and is now privately owned. Frode joined Opera in January 2013 and held various roles and responsibilities, ultimately leading to his appointment as the group's CFO in April 2016. Frode was a key contributor to strategic initiatives within Opera, such as the AdColony acquisition and the process that resulted in the sale of Opera's Consumer business - Opera Software AS. In the period 2008-2013, Jacobsen was a management consultant with McKinsey & Company, based in Oslo and San Francisco, ultimately holding the position of Engagement Manager. Jacobsen holds a BSc of Economics and Business Administration from NHH in Norway, and a MSc of Management from HEC Paris.



AUDUN WICKSTRAND IVERSEN (CHAIRMAN)



MARIANNE BLYSTAD  
(MEMBER)



SOPHIE-CHARLOTTE MOATTI  
(MEMBER)



ANDRÉ CHRISTENSEN  
(MEMBER)



FRODE JACOBSEN  
(MEMBER)





# Report from the Board of Directors

2016 was an eventful year for Opera. Opera concluded a strategic review by selling the Consumer business for gross cash proceeds of \$575 million as well as selling the TV business for gross cash proceeds of \$80 million plus a retained equity interest. The proceeds enabled Opera to repay most of its debt, as well as pay 15 NOK per share in dividends and initiate a share buyback program. On top of this Opera now finds itself in a very strong financial position which enables further return of cash to its shareholders as well as backing the three remaining business segments.

## Financial Summary

The following profit and loss information relates to Opera's continuing business activities. Opera's operating revenues grew by 18% to \$536.7 million in 2016 (2015: \$454.2 million). Operating expenses, excluding one-time costs, increased by 22% to \$543.9 million (2015: \$447.1 million), with non-headcount expenses increasing primarily due to higher cost of goods sold or publisher-payout costs, as well as hosting costs, related to the AdColony (Mobile Advertising) business. Opera delivered EBIT (excluding costs for restructuring the business) of \$-7.2 million (2014: \$7.1). Profit before income taxes (including costs for restructuring the business) ended at \$-31.4 million (2015: \$0.5 million). Income taxes were \$-3.5 million (2014: \$-3.4 million), and the profit for the period was \$-63.1 million (2015: \$-53.7 million). The loss in 2016 can to a large extent be explained by lower gross profit margins and financial expenses associated with contingent considerations.

Specifically, these financial expenses comprise FX losses related to contingent considerations associated with acquisitions in 2014 and 2015, due to the strengthening of the USD versus the NOK; and expenses recognized due to the revaluation of contingent considerations associated with acquisitions in 2014, due to increased earnout expectations. Basic and diluted earnings per share from continuing operations was \$-0.431 (2015: \$-0.372).

The Consumer and TV businesses are presented separately as discontinued operations in the consolidated statement of comprehensive income and comparative periods are restated. See Discontinued Operations for further information regarding these transactions.

Net cash flow from operating activities in 2016 totaled \$3.1 million, of which \$-39.3 was related to discontinuing operations (2015: \$56.0 million). Opera's cash balance in 2016 versus 2015 was impacted positively primarily by proceeds from disposal of subsidiaries and associated companies of \$618.1. Opera's cash balance in 2016 versus 2015 was reduced by pre-tax losses, by \$260.6 million (2015: \$4.8 million) related to dividends, \$150.8 million (2015: \$153 million) related to acquisitions, \$6.5 million (2015: \$7.5 million) related to capital expenditures, \$19.2 million (2015: \$16.0 million) related to R&D expenditures, and \$13.3 million related to taxes paid (2014: \$26.2 million). As of December 31, 2016, the Company had a cash balance of \$219.5 million (2015: \$97.7 million) and \$100 million (2015: \$150 million) in interest-bearing debt.

## OPERATING REVENUE

↑ **18%**  
Revenue growth in 2016





## BUSINESS OVERVIEW

Opera's business activities comprise advertising revenue generated from AdColony and other Mobile Advertising subsidiaries, subscription revenue from mobile-app discovery, VPN services, and license revenue from Rocket Optimizer™. The sale of the Consumer business led to certain changes in the Group's internal reporting processes, such that three business units are now reported to Management. Opera therefore reports three segments (Mobile Advertising, Apps & Games, and Performance & Privacy in 2016. In addition, Corporate Costs are presented separately. The following are Opera's segments as at 31 December 2016:

### Mobile Advertising

Opera's mobile advertising segment consists of mobile advertising and marketing platforms, primarily AdColony, providing end-to-end platforms for brands, agencies, publishers and application developers to deliver advertising to consumers on mobile devices around the world. Mobile Advertising revenue is primarily comprised of revenue based on the activity of mobile users viewing ads through 3rd Party Publishers, such as developer applications and mobile websites. Revenue is recognized when Opera's advertising services are delivered based on the specific terms of the advertising contract, which are commonly based on the number of ads delivered, or views, clicks or actions by users on mobile advertisements.

### Apps & Games

Opera's Apps & Games segment consists primarily of Bemobi's app subscription services. This includes Apps Club Family, a subscription service mainly offered in partnership

with mobile operators in emerging countries; standalone subscription apps; and mobile couponing. Apps & Games revenue is primarily comprised of: i) Subscription revenue when a user purchases a subscription from Bemobi's mobile-app discovery service, (ii) Opera-branded Opera Mobile Store (OMS), when a user purchases a premium application, and (iii) Subscription revenue when a user purchases a subscription from a "co-branded" mobile store, or a white-label operator-controlled version of the mobile store, which is also known as the Opera Mobile Subscription Store.

### Performance & Privacy

Opera's Performance & Privacy segment consists of the SurfEasy and Skyfire businesses. SurfEasy offers a branded VPN for mobile and desktop, and white labeled VPN solutions for 3rd party brands. Skyfire offers data compression technology with Rocket Optimizer™. Performance & Privacy revenue is primarily comprised of i) subscription revenue generated by the SurfEasy VPN service for mobile and desktop, and ii) license fees from Rocket Optimizer™.

### Corporate Costs

Corporate costs comprise primarily i) costs related to personnel working in functions that serve the Group as a whole including CEO/ Board of Directors, corporate finance and accounting, legal, HR and IT, and ii) costs related to business combinations and the strategic review process.

In addition, Opera has retained preferred shares equivalent to 27% of the common equity of the new parent of Opera TV.

## Revenue

Opera's operating revenues grew by 18% to \$536.7 million in 2016 (2015: \$454.2 million). Compared to 2015, 2016 had very strong growth from Apps and Games, strong growth from AdColony (Mobile Advertising), and a decrease in revenue from Performance and Privacy (SurfEasy and Skyfire). AdColony (Mobile Advertising) was the largest source of revenue in 2016 (\$484.2 million in revenue and 89% of total revenue), followed by Apps and Games (\$48.2 million in revenue and 9% of total revenue) and Performance and Privacy (\$9.2 million in revenue and 2% of total revenue). Eliminations, primarily against Discontinuing Operations, accounted for \$-4.9 million.

Apps and Games revenues grew by 98% (43% pro forma), compared to 2015, fueled by continued strong growth in Latin American subscribers, as well as encouraging results from the rollout of the global strategy. AdColony (Mobile Advertising) revenue grew 15%, compared to 2015. Revenue growth was driven primarily by increased revenue from performance advertisers, including brand performance, programmatic advertising buying, and, overall, from mobile video advertising. As opposed to previous years, revenue growth was organic, rather than driven by acquisitions.

Performance and Privacy revenue was down 25% in 2016, compared to 2015, with solid growth from SurfEasy, offset by lower Rocket (Skyfire) revenues.

### Market Overview

#### AdColony (Mobile Advertising)

The global advertising industry continues to

experience a macro shift in advertising spend from traditional offline channels, such as print, television and radio, to online channels, with mobile taking an increasing share of the online/Internet medium. This macro shift from offline to online has been fueled by several factors, namely the increasing amount of time consumers spend online and on mobile devices, and the fact that digital advertising compared to traditional offline advertising enables much better targeting, provides opportunities for more user interaction, and provides better measurement capabilities.

The rapid growth in mobile advertising in particular is being fueled by a number of factors: (i) the dramatic increase in smartphones with over 2 billion users globally, with smartphone users spending significantly more time engaged with their mobile devices than feature phone users; (ii) reach and "anytime-anywhere" access to users – there are more than 5 billion mobile phone users worldwide (compared to a little over 2 billion desktop users, for example); (iii) strong targeting characteristics – advertisers are able to glean meaningful amounts of aggregated information about mobile users, such as location, demographics and behavior; (iv) high performance and user response rates from Android and iOS smartphone devices in particular, which support highly interactive and entertaining ad formats due to advanced display technologies, strong graphics processors and fast processing speeds; (v) wide spread access to high speed wireless data networks, which enables the consumption of high quality and rich media and video content on mobile devices; and (vi) rapid increase in consumer time spent in smartphone mobile applications





#### DEVICE REACH

**1.5** BILLION  
UNIQUE DEVICE REACH  
AND SDK FOOTPRINT IN  
THE TOP 1 000 APPS

in particular, as developers have been able to deliver highly intuitive, engaging and personalized content experiences “in-app”, capitalizing on native operating system software development kits which facilitate the full harnessing of a mobile device’s processing capabilities and functionality.

#### Opera’s Role in the Advertising Landscape

Opera’s goal is to power the mobile advertising ecosystem through innovative and differentiated mobile advertising services and technology solutions, with a focus towards consumer experience, privacy and providing value to the mobile ecosystem. We have long standing relationships with our 3rd party partners who include the world’s largest brand and performance advertisers, ad agencies, publishers, data and attribution platforms and application developers. Opera’s mission is to be the highest quality mobile advertising platform in the world, delivering innovative brand experiences that evoke emotion and drive real outcomes fueled by data, technology and creativity.

Our 1.5B unique device reach and SDK footprint in the top 1 000 apps is the strongest among all independent advertising platforms and provides a strategic advantage in the marketplace. Opera’s aim is to grow our market advantage via:

- Expanding off our proprietary Instant-Play™ technology to grow our share in the video market, fueled by a focus on the most innovative brand experiences that drive real world outcomes and ROI for our clients.
- Lead the market in performance advertising, servicing the largest performance advertisers in the world, delivering both scale and high quality/high life time value users to our clients.
- Expanding our relationships with Publishers with focus on those who are leading the app store 1000, with innovative ad formats and an appreciation for monetization, retention and quality mobile-first consumer experiences.
- Helping both Brand and Performance advertisers reach targeted audiences globally, delivering actions and outcomes that feed their strategic and financial objectives both effectively and cost efficiently.
- Leveraging data, machine learning and artificial intelligence for ad serving that delivers targeted audiences at scale, while being transparent on our data use policies and practices all around the world
- Providing creative expertise via our in house creative agency whose develops purpose built creative campaigns optimized for mobile screens leveraging art, design and creative to deliver campaigns that helps our clients deliver messaging that maximize their return on ad spend.
- Being a leader in premium programmatic technologies and processes, that balance brand safety for both publishers and advertisers, with automation, data targeting and, ultimately, high quality consumer marketing experiences that deliver real results.

- Our global footprint, with deep publisher and advertiser relationships, serviced by over 20 offices in locations around the world.

Opera offers brand advertisers the ability to build their brands and engage with consumers by offering creative services, sophisticated audience targeting capabilities, significant audience and publisher reach, high levels of transparency and measurability on ad campaigns, and support for highly interactive and engaging advertising experiences on a full range of mobile devices, including banner display ads, interactive rich media ads and video ads. Moreover, Opera offers advertisers the ability to purchase advertising through the traditional insertion order (IO) “managed service” method and electronically via Opera’s real time bidding (RTB) and programmatic platform.

Opera’s strength is in mobile video advertising, where we have differentiated product offerings with Instant-Play™ video ad units. Opera’s proprietary Instant-Play™ technology excels in delivering innovative, TV-like, crystal-clear video ads instantly in HD across the most popular iOS and Android smartphone and tablet apps in the world. The video ads can be shown “anywhere” as part of a native app experience, not just as part of other video content. Opera’s proprietary Instant-Play™ video ad technology eliminates latency and long load times for video, providing the highest quality video experience for advertisers, publishers and consumers, with interactive elements to drive engagement, action and results. In addition, Opera’s highly interactive end-cards are tailored for mobile engagement, for both app installation and calls-to-action for brands.

We also excel in Performance advertising, driving a significant number of high quality application installs and other desired advertising outcomes for clients looking to acquire new users. We provide performance advertisers with comprehensive real-time targeting, real-time bidding (RTB) and real-time reporting tools on both “cost per install” (CPI) and “cost per action” (CPA) campaigns, to secure a variety of outcomes including customer sign-ups, lead generation and mobile application downloads.

Revenues came from a broad spectrum of brand advertisers, including 65 of the AdAge Top 100 Global Advertisers. We ran campaigns in the quarter for such brand advertisers as Capital One Bank, Google, Kellogg’s, Microsoft, Mars Advertising, McDonalds, Verizon, Starbucks and Unilever. In addition, during 4Q16, we ran campaigns for many of the top grossing app developers in the world across both iOS and Android.

For premium mobile publishers and app developers, Opera offers technology solutions and services, highly intuitive reporting and analytical tools and access to premium and performance advertisers (via Opera’s own advertiser relationships and third party mobile ad networks), helping these publishers maximize rev-

#### REVENUE FROM

**65** / 100  
ADAGE TOP  
GLOBAL ADVERTISERS

**20**  
OFFICES IN  
LOCATIONS  
AROUND  
THE WORLD







120  
AD SOURCES  
AROUND THE WORLD

APPSCLUB REACHES OVER  
±2 BILLION  
MOBILE SUBSCRIBERS

enue from their content and user base. At the core of Opera's success with premium publishers and developers is the technology platform and software development kit (SDK).

[The technology platform success with mobile publishers stems from six major sources:](#)

1. Proprietary Instant-Play™ HD video technology enables publishers to integrate video ads as prerolls, interstitial videos, value exchange videos and native videos into their content to minimize intrusiveness to consumers and maximize revenue to publishers. The Instant-Play™ HD video ads eliminate latency and run in high definition, delivering differentiated value to the advertiser, publisher and end user.

2. Access to extensive premium mobile ad demand - Opera is able to offer publishers access to 65 of the top 100 global advertisers and demand relationships with 85 out of the 100 top grossing app developers in the world.

3. Programmatic Offering - In addition to Opera's more managed service offerings, Opera offers a real-time bidding (RTB) platform that brings advertisers, ad networks and agencies together with mobile publishers and app developers for an efficient, automated media buying and selling experience. Through the programmatic marketplace, publishers have access to a range of demand-side platforms (DSPs), facilitated by new audience segmentation and expanded targeting capabilities, designed to improve monetization of publisher properties. Publisher customers can also choose the option of setting up private mar-

ketplaces for their inventory, which brings in diverse demand sources while still maintaining publisher control.

4. Data Management Platform - Building on a legacy as a trusted partner for the management of a publisher's private data, Opera also offers a cooperative DMP solution. Here, publishers can opt-in, consistent with their privacy policies, to share non-personally identifiable information about their consumers to improve ad targeting capabilities and drive better monetization. This helps both publishers to pool their data to provide better targeting to advertisers looking to easily identify and reach their target consumer.

5. Ad Serving & Campaign Management capabilities - powerful rich media ad serving, targeting and analytics; management, uploading, scheduling and control of "house" ads and directly sourced advertising;

6. Ad Mediation capabilities - ad performance optimization, transparency and control over ad network traffic from over 120 ad sources around the world;

#### Apps and Games

The cornerstone of Opera's Apps & games offering is Bemobi, a leading subscription-based mobile-app-discovery service in Latin America. Bemobi offers a unique, "Netflix-style" subscription service for premium Android apps. Working with mobile operators, Bemobi's proprietary app-wrapping technology allows smartphone owners access to unlimited use

of premium mobile apps for a small weekly fee. Users pay for this service through their mobile operator billing systems, making the service highly effective in emerging markets, where credit-card and debit-card penetration is low.

Apps Club is the official Android apps subscription offer for many of the top mobile carriers and smartphone OEMs in the world. Apps Club is the leading Apps subscription service in terms of addressable market reach, content quality as well as in total active subscribers. Apps Club reaches ±2B mobile subscribers and unlocks the potential of Apps Distribution and monetization in Emerging markets. With emerging markets in mind, it has no need for credit cards as it provides carrier billing for 100% of its addressable users, therefore unlocking a huge monetization potential where credit card penetration is low. Also, there is no need for a data plan to download new apps - all app downloads within Apps Club can be done for free independently of users having purchased a mobile data plan, making the service accessible for all.

#### Performance & Privacy

##### Privacy (SurfEasy)

Opera's SurfEasy product provides simple to use solutions to help consumers protect their online privacy, security and freedom. SurfEasy's popular VPN Applications encrypt the data "in and out" of a consumer's iOS, Android, Mac or PC device.

The SurfEasy business consists of three primary profit centers:

1) SurfEasy Direct: The sale of SurfEasy branded VPN applications direct to end users. During 2016 revenues for SurfEasy Direct grew an average of 3% monthly with growth coming from improved subscriber funnel management and the launch of a new \$99/year subscription package which has grown to be over 20% of new paid plan subscriber mix.

2) Partners: SurfEasy's VPN network and client side SDK's power branded solutions for third parties. During 2016 SurfEasy expanded its partners through the development and launch of mobile VPN solutions for one of the world's largest consumer internet security companies. In addition to one-time development fees the ongoing revenue share relationship is expected to grow significantly into 2017 and beyond. With increased consumer demand for online privacy solutions we see strong continued growth working with new and existing partners.

3) Embedded Products: One of the key motivations for the acquisition of SurfEasy was to deploy embedded VPN solutions to differentiate Opera Consumer products. In 2016 SurfEasy's VPN Solution was embedded into the Opera Desktop Browser making Opera the first web browser with native VPN functionality. In addition, two new standalone Opera branded VPN solutions were launched for iOS and Android.

Opera Embedded VPN solutions has grown to 4M MAU since its launch during the summer.

Going forward our focus will be on rebranding and monetizing the Opera VPN solutions for iOS and Android and offer VPN functionality included in other apps. One of the most exciting monetization opportunities is the sale of anonymized usage information which can provide unique market intelligence on the mobile ecosystem. SurfEasy has made significant progress on the development of infrastructure and business development in this area and expect it to become a material profit center over the next 18 months.

##### Performance (Rocket Optimizer/Skyfire)

Mobile operators face increasing downward pressure on voice and data revenue per subscriber, and as competition heightens, operators around the world are looking for new sources of revenue, differentiation via data services and network performance/quality, and solutions to manage the explosion of mobile video and multi-media data network traffic spurred by the rapid adoption of smartphones and tablets, with video alone expected to comprise close to 70% of total mobile data traffic this year. Rocket Optimizer, which is designed for Operator deployment, is Opera's flagship product addressing Operator needs with regard to managing the explosion of mobile video data traffic in particular.

The Rocket Optimizer™ mobile video, audio and data optimization solution, which can detect when specific users are facing poor network connections and then intervene in milliseconds to improve network quality and performance for that user, helps operators manage unpredictable spikes in demand. Rocket Optimizer™ can optimize encrypted and unencrypted video traffic while minimizing start times, rebuffering, and stalls on video and audio streams that frustrate mobile users around the world. The Rocket Optimizer™ solution provides operators with an instant 60% boost in bandwidth capacity across smartphones, tablets and laptops on 3G and 4G LTE networks. Its flexible cloud architecture and intelligent traffic steering dramatically reduce an operator's total cost of ownership, in comparison with the cost of legacy in-line hardware solutions, while enabling the operator to provide best quality of experience. As part of this new go-to-market strategy, Opera has signed distribution partnerships with Huawei, Nokia and Ericsson.

#### CORPORATE OVERVIEW

##### Organization

At the close of 2016, the Company had 905 full-time employees and equivalents, compared to 1,671 full-time employees and equivalents at the end of 2015 (before the sale of the Consumer and TV businesses).

##### Board of Directors composition

At the Annual General Meeting on June 28, 2016, Sverre Munck was re-elected as the

#### PERFORMANCE

VIDEO ALONE EXPECTED  
TO COMPRISE CLOSE TO

→70%←  
OF TOTAL MOBILE DATA  
TRAFFIC THIS YEAR

905  
EMPLOYEES &  
EQUIVALENTS





chairman of the Board of Directors, and André Christensen, Audun Wickstrand Iversen, Sophie-Charlotte Moatti and Marianne Blystad were re-elected to the Board of Directors. At the Extraordinary General Meeting on December 15, 2016 Audun Wickstrand Iversen was elected as the chairman of the Board of Directors, Frode Jacobsen was elected to the Board of Directors and André Christensen, Sophie-Charlotte Moatti and Marianne Blystad were re-elected to the Board of Directors.

#### Corporate governance

The Company's guidelines for corporate governance are in accordance with the Accounting Act §3-3b and section 3-3c and the Norwegian Code of Practice for Corporate Governance, dated October 30, 2014, as required by all listed companies on the Oslo Stock Exchange. Please see the section entitled "Principles of corporate governance" in the Annual Report for more information.

#### CORPORATE SOCIAL RESPONSIBILITY - 2016

Creating a responsible and sustainable business is an integral part of everything we do at Opera. We are committed to the highest standard of social responsibility and believe that transparency and openness are key elements in obtaining a sustainable and responsible operation.

In this report we describe Opera's effort and results related to corporate social responsibility (CSR). Our CSR work is focused around four key areas: Our employees, a global social commitment, anti-corruption and the environment. Opera has implemented the following guide-

lines and reporting schemes to ensure a high ethical standard throughout the organization.

#### Ethical Code of Conduct

The Ethical Code of Conduct is created to help employees, clients and business partners understand Opera's values and standards. Opera's reputation is created by the conduct of each individual staff member. Therefore, all staff members are obliged to familiarize themselves with the Ethical Code of Conduct when joining the company.

The Ethical Code of Conduct focuses on the following key areas: the rights and obligations of our employees; a healthy and safe working environment; anti-corruption; and the external environment.

A violation of the Ethical Code of Conduct may result in disciplinary action, up to and including termination of employment. Several of the guidelines concern actions that are also punishable offenses. The Human Resources department is responsible for following up any possible breaches.

#### Our commitment to the UN Global Compact

Opera is a proud signatory to the UN Global Compact (UNGC). UNGC is a global reporting initiative where businesses around the world report on progress and challenges in their work with human and labor rights, the environment and anti-corruption.

In our annual report to the initiative, the Communication on Progress, we describe our commitment, implementation and outcomes with

regard to the UNGC principles. We continually strive to make the principles a part of our strategy, culture and day-to-day operations. Opera is in the process of preparing its Communication on Progress report for this year.

#### 1. OUR EMPLOYEES

Opera's success and innovation springs from the minds and teamwork of its employees. Our employees are our most valuable resource, and we are committed to interact with our employees in the same way as we strive to interact with our customers, following the highest ethical standards and respect for individuality.

#### Equal opportunities and non-discrimination

Opera strongly condemns discrimination. We believe that people should be treated with respect and insist on fair, non-discriminative treatment, regardless of irrelevant factors such as nationality, political views, religion, sexual orientation and gender.

We promote cultural diversity and we are proud to have had more than 50 nationalities represented within the company. We pride ourselves in being an international organization, where innovation and teamwork take place across borders and time zones.

We continually work to improve the gender balance in the company. At the end of 2016 32 % of our staff members were women. In addition, the Board of Directors of Opera has two female members.

The principles of equal opportunities and non-discrimination are present throughout

the organization and in all company activities. When recruiting, we use assessment methods such as programming tests and test cases to give equal opportunities to all qualified applicants. Similar approaches are exercised when promoting, offering training opportunities, etc.

We aim to give equal opportunities to employees in both their work and personal lives. One of the benefits for all male employees is the opportunity to have two weeks of paid father's leave upon the birth of their child. By doing this, we are emphasizing the importance having a healthy work-life balance, regardless of the geographical location or local labor legislation.

#### Labor rights at Opera

Opera respects and observes the fundamental labor rights set out in the international conventions, such as the conventions of the International Labor Organization and the United Nations.

#### Health and safety

At Opera, we strive to offer our staff members a safe, healthy and inspiring work place. We have a highly international workforce, where we combine the responsiveness of a flat structure with an extreme focus on results and innovation. All employees are expected to comply with safety and health regulations that apply to our business activities.

Opera prides itself as being a family-oriented company. We emphasize the importance of a healthy work-life balance, encouraging our employees to take time to focus on family and friends. This view is reflected in our fam-





ily-friendly policies, such as our two weeks of leave at birth for fathers.

Discrimination on the bases of sickness or disability shall not occur at Opera. We work hard to meet all our employees' needs. We offer shorter working hours and other services to accommodate our employees with disabilities our other particular needs.

Opera has a low sick leave, with an average of 2.95 % in 2016. This number is for continued and discontinued operations.

In 2016, Opera had a global turnover of 21%, where 15% were voluntary and 6% were involuntary terminations. These number is for continued and discontinued operations.

There have been no reports of work-related accidents or injuries in 2016.

## 2. ANTI-CORRUPTION

Opera Software abstains from and works actively to combat corruption and bribery. Corruption distorts economic decision-making, deters investment, undermines competitiveness and, ultimately, weakens economic growth.

There is no single, comprehensive, universally accepted definition of corruption. Therefore, each Opera employee must adhere to the existing laws and regulations in their country of operation. As a minimum, Opera's internal regulations apply to all employees. Controls are made to ensure that the rules are followed. Opera has put in place internal guidelines to help employees in their day-to-day operations. The following is an extract of these guidelines.

### Bribery

No person acting on behalf of Opera shall attempt to influence someone in the conduct of their post, office or commission by offering an improper advantage. Nor shall improper advantage be offered to anyone for the purpose of influencing third parties in the conduct of their post, office, or commission. This includes all forms of facilitation payments.

Correspondingly, no person acting on behalf of Opera shall request, accept or receive improper advantage in connection with his/her position or assignment or for the purpose of influencing a third party. Improper advantage can take different forms, including but not limited to money, objects, credits, discounts, travel, accommodation and other services.

### Insider trading

Opera employees are prohibited from trading in Opera securities based on information that is material, nonpublic information; that is, the public does not yet have access to this information, and this information may be deemed interesting for an investor to use when deciding whether to buy or sell securities. This rule also applies to other companies, where Opera employees may have access to such nonpublic information. Please note that even a tip to family and friends

is considered illegal, if this should be used as a basis for buying or selling securities.

### Gifts

It is a normal part of business life to exchange business courtesies, such as meals, transportation, recreation, facilities or small gifts. Such an exchange of business courtesies must always follow local laws and regulations and not put any Opera employee in the position of a sense of obligation to return the favor, compromise professional judgment or create the appearance of compromise or corruption. Opera employees should always check with their manager or the HR department, if in doubt, and consider whether the exchange of business courtesy would be acceptable if it should become publicly known.

No person acting on behalf of Opera is allowed to accept any amount of cash or cash equivalents (such as gift certificates or market securities and similar), regardless of sum. Correspondingly, cash or cash equivalents may never be offered by Opera employees as a business courtesy, regardless of sum.

### Whistleblowing

Opera encourages freedom of speech and blowing the whistle on malpractice, fraud, illegality, or breaches of rules, regulations, and procedures or raising health and safety issues. Any Opera staff member making a whistleblowing report is protected from any repercussions, such as dismissal and other forms of reprisal. To secure an effective procedure, staff members may blow the whistle either in person or anonymously to the Work Environment committee.

To improve communication and ensure that issues do not escalate to the point where they become a whistleblowing case, Opera focuses on the following practices:

- Communicate the company's norms, values, and rules and regulations regarding ethical conduct.
- Create an open atmosphere by making sure that staff members have the opportunity and possibility to meet and discuss issues in formal and informal settings.
- Discuss and put questions regarding freedom of speech and whistleblowing on the agenda in internal communications.
- Ensure that there is a Work Environment committee in place that meets regularly to discuss issues.

## 4. THE ENVIRONMENT

Opera understands the importance of supporting the environment and seeks to prevent any negative environmental impact our activities might have. Opera has incorporated its environmental policy as a part of the Ethical Code of Conduct.

Opera shall:

- Act according to environmental laws to limit the environmental burden on earth, air, water and ecosystem.
- Commit to using environmentally safe prod-







ucts in the workplace.

- Educate staff about company environmental regulations.
- Evaluate the consumption of energy and other resources to determine means of control.
- Ensure the development of environmentally protective procedures.

For several years, Opera has made data-center efficiency, low-power CPUs in our servers and procuring power from renewable energy sources key components of our hosting-expansion strategy. Our colocation agreements with data centers require the use of renewable energy and compliance with our power efficiency standard. Across all locations, we are 27% more efficient than the Uptime Institute industry average. Opera's approach reduces the cost per transaction and the negative environmental impact of our company.

When purchasing servers and other larger infrastructure, we focus on reducing waste throughout the lifecycle of the product. New purchases are assembled at the factory and delivered with minimal packaging. We focus on using the equipment as long as it is efficient, often years longer than the original expected life. When used equipment is ready for retirement, Opera has entered into collaboration with Greentech, part of the Arrow Group, who buys and refurbishes, before they resell or recycle the equipment.

Opera works actively to reduce the production of paper waste from our operations. Further, Opera promotes the reduction of the use of disposable cups and glasses at our offices, as all employees receive a personal cup and water bottle upon joining the company. We encourage keeping the lights out after hours and in unused areas. We encourage the use of video conferencing, rather than extensive traveling.

#### Risk factors

Each of the following risk factors can have a significant negative impact on Opera's business, financial results, operations, cash flow and the trading price of our common stock:

#### Business risk

Our international operations expose us to additional risks that could harm our business, operating results and financial condition.

In certain international markets, we have limited operating experience and may not benefit from any first-to-market advantages or otherwise succeed. In addition to risks described elsewhere in this section, our international operations expose us to other risks, including the following:

Changes in local political, economic, regulatory, social and labor conditions, which may adversely harm our operations. Restrictions on foreign ownership and investments, as well as stringent foreign-exchange controls that might prevent us from repatriating cash earned in certain foreign countries. Import and export requirements, tariffs, trade disputes and barriers, and customs classifications that may prevent

us from offering products or providing services to a particular market and may increase our operating costs. Longer payment cycles in certain countries, and higher levels of payment fraud. Different employee/employer relationships, existence of workers' councils and labor unions, and other challenges caused by distance, language, and cultural differences, making it harder to do business in certain jurisdictions.

#### Financial risk

Both revenue and operating expenses are exposed to foreign exchange rate fluctuations. However, the vast majority of revenues and operating expenses are in USD, hence Opera is exposed to relatively little currency risk.

In 2016, approximately 83% of revenues were in USD, 8% in BRL, 2% in GBP, 2% in TRY, 1% in EUR and 4% in other currencies; for expenses, approximately 76% were in USD, 5% in GBP, 5% in BRL, 5% in EUR, 2% in UYU, and 8% in other currencies. Please note that some revenue numbers are impacted by changes in local currencies which are the basis for subsequent invoicing of customers in USD or EUR.

#### Liquidity and credit risk

Opera is exposed to customer-related credit risk, which is primarily influenced by the financial strength and characteristics of each customer. There is always a risk of loss on accounts receivable from our customers and reduced sales to our customers if they face liquidity challenges.

In March 2016, Opera signed an agreement with DNB Bank ASA to increase its secured credit facility of \$250 million (of which \$60 million was a 3 year term loan and \$190 million was a Revolving Credit Facility) by \$35 million to a total of \$285 million, split between a term loan of \$60 million and a Revolving Credit Facility of \$225 million.

In November 2016, Opera paid down \$185 million of the total credit facility of \$285 million, and signed an agreement with DNB Bank ASA reducing the secured credit facility to \$150 million (of which \$100 million is a term loan and \$50 million is a Revolving Credit Facility). As at 31 December 2016, \$100 million is outstanding. The revolving facility is undrawn, whilst the term loan is fully outstanding.

The loan and credit facility have the following covenants: A) i) the Leverage Ratio to be below 2.00:1. (last twelve months Adj. EBITDA/Net Debt) B) the Equity Ratio to hold the minimum level of 30%. The Group is compliant as at December 31, 2016. The Revolving Credit facility of \$50 million and the term loan of \$100 million are payable in March 2018. There are no installment payments due before maturity.

As of December 31, 2016, Opera had \$100 million in interest-bearing debt, and the cash balance was \$219.5 million (parent company: \$134.2 million). Opera's equity ratio was 61% (2015: 41%). Investments are only made in funds operated by institutions rated by S&P or Moody's, with a minimum rating of BBB or Baa2, respectively.





Although Opera does invest our money conservatively, all our investments are subject to risk. For example, Opera's cash and other investments placed in Norwegian financial institutions are not guaranteed by the government above NOK 2 million per institution. If the financial institution were to go bankrupt, a portion of Opera's cash or investment could be lost.

#### Tax risk

From time to time, Opera faces tax audits and investigations by both domestic and foreign tax authorities and the outcome of any audit could have a negative impact on our operating results and financial condition. Furthermore, the tax treatment of many transactions relies on the judgment of the Company and its advisors, since the tax laws and regulations are not always clear. Based on the uncertainty that exists, the ultimate tax outcome may differ from the amounts recorded in our financial statements and if Opera were required to re-file our taxes based on an adverse tax judgment, it could materially affect our financial results during the relevant period(s).

#### Competition

Opera's competitors include some of the largest technology, advertising, IT and telecommunication companies in the world, with significantly larger financial resources and headcount and broader distribution channels than Opera has. These large companies have a greater financial capacity to make strategic acquisitions, invest in new technology and research and development, market their products, and compete for customers. Furthermore, due to the dynamic nature of the market, there is always a risk that our large competitors, and even smaller startup competitors, could take a large share of the markets in which we are operating within a very short period of time, by developing more attractive products and taking customers away from our own products and services.

#### R&D / Product development

Opera's revenue is dependent on expanding our user base and customer base by developing and marketing products that are more attractive than our competitors' products. If the attractiveness of our products does not continuously improve and evolve to keep pace with the industry, we will have challenges retaining our current user base and gaining new customers. Our competitors are constantly improving their products and associated services. In order to stay competitive, Opera has to invest significant resources in research and development. Investing significantly in R&D is, however, no guarantee that consumers and customers will, in fact, find our products to be attractive enough to begin or continue using them, as it is impossible to accurately predict the behavior of our consumer and business customers.

#### Customer/Partner risk

There is always a risk that existing customers will terminate or fail to renew their contracts with us if, for example, Opera's technology does not remain competitive enough to provide value to our customers or our customers' products, which incorporate Opera's technology, or does not generate revenue and users as the customer expected. There is also a risk that consumers will stop using Opera's technology and begin using a competitor's technology and that our brand and performance advertising customers work with our competitors instead of us for advertising campaigns. The negative impact of a loss of customers and/or end users on Opera's revenues and business could be significant. Loss of large customers or a change in the commercial terms of that deal would negatively harm our revenues and business. Similarly, not being able to attract new customers, partners and consumers to our products would have a negative impact on revenues and business.

#### Data-center risk

Many of our products and services are dependent on the continuous operation of data

centers and computer hosting and telecommunications equipment. If Opera's internal IT systems fail or are damaged, or if a third party gains unauthorized access to such systems and data is lost or compromised, it could have a material impact on Opera's operations. Downtime can, for example, hurt our reputation with our consumer customers, as well as increase the risk of damage claims and monetary penalties from our customers.

If our data centers malfunction or become damaged, service can be interrupted for long periods of time. Damage can result from any number of factors, including natural disasters, such as earthquakes, floods, lightning strikes, and fires, terrorist attacks, power loss or failure, telecommunication equipment failures, severed or damaged fiber optic cables, computer viruses, security breaches, sabotage, vandalism, negligence of our suppliers, or deliberate attempts to harm our equipment and/or systems. Furthermore, actions or inactions of third-party hosting centers or telecommunications providers, including financial difficulties, can result in service disruption, which would have negative impact on our products and services.

If our centers or systems are subject to a security breach, customers' confidential or personal information could be obtained and used by third parties, which could have a negative impact on our brand and the market perception that we are a reliable company, as well as subjecting us to significant regulatory fines or claims or damages from our customers.

For certain business models, we depend on internal systems to collect and produce accurate statistics regarding the use of our products and services, especially for products that rely on an active user royalty model. Failures or malfunctioning of these systems can have a significant impact on our financial results. Failure to adequately back up our internal systems can also have a material impact on the running of our business.

#### Growth or change in headcount

Our business has always experienced growth and dynamic change, which may require an increase in headcount and/or the need to restructure the work force's competence, leading to downsizing and the rehiring of people with different skill sets. If we fail to manage this growth and change effectively, the quality of our products, services and technology could be negatively affected, and our business and operating results could be impacted. Our presence and expansion in many international markets amplifies these risks due to multiple legal and regulatory systems, languages, cultures and customs. Failing to improve our operational, financial, management, reporting and compliance procedures continuously could negatively impact our growth and financial position.

#### Senior management and key employees

Executing on our strategic objectives depends on our ability to attract and retain key executives and members of senior management, as well as skilled personnel, including software engineers and developers. There is strong competition for employees in our business, and our competitors often try to lure away our personnel. If our competitors are able to offer more competitive compensation arrangements and/or more attractive workplaces, our ability to attract and retain key employees will be hampered. Losing members of the team can negatively affect our ability to execute on our strategic objectives and compete effectively.

#### Regulatory risk

Opera operates on a global scale and is therefore subject to regulatory regimes across the globe. Not only is it a challenge for a company the size of Opera to remain current on all the regulatory regimes that may apply to Opera at any one time, but also some regulators have a particular interest in the markets within which Opera is operating. As a result, Opera may become subject to increased regulatory scrutiny in the future. If lawmakers and regulators make



new laws or interpret current laws in different ways or subject Opera to regulatory scrutiny, Opera may be required to, for example, invest significant amounts of money to participate in or defend ourselves in regulatory proceedings in multiple jurisdictions and to adapt our products and services to conform to the regulatory regimes in multiple jurisdictions. Such product adaptations may be very costly and might ultimately result in Opera's products and services becoming less attractive to our customers and end users and/or in Opera being forced to maintain different software builds for different countries.

#### [Lawsuits, government investigations and other claims](#)

Opera has many customers, partners and end users around the world, and, as a result, we can be exposed to lawsuits, government investigations and other claims or proceedings on a global basis. Such lawsuits, investigations and proceedings could be related to, for example, intellectual property (issues including trademark and patent suits), labor law issues, commercial lawsuits, data protection and privacy matters, consumer law, marketing law, tax issues and so forth. All such proceedings can have a significant impact on Opera, whether or not we are ultimately successful, due to the legal cost and the internal resources we would have to employ to defend ourselves. In the event of an adverse result against Opera in such a proceeding, Opera could be required to pay significant monetary damages or fines and/or re-design our products or services, causing a material impact on Opera's business, financial results, operations and cash flow.

Intellectual property lawsuits are very common in the market within which Opera operates. Regardless of the merits of such lawsuits, they are extremely expensive to defend and litigate, and the damages awarded in such suits can be high. In addition, Opera has contractually undertaken to indemnify certain of our customers and partners, so, in the event they are sued for alleged intellectual property infringement, Opera would be required to defend them and pay their damages. Furthermore, an adverse judgment could require Opera to cease using certain technologies in our products or names for our products, requiring Opera to re-engineer or re-name our products. Compared to Opera, many of our competitors own large numbers of patents and other intellectual property rights. Although we do seek patent protection for certain innovations, we may not have sufficient protection for important innovations. Furthermore, because many large companies are able to settle intellectual property lawsuits by cross-licensing each other's technology, the fact that our patent portfolio is not as extensive as our competitors' portfolios could have a negative impact in a cross-licensing situation.

#### [Acquisitions](#)

Opera has made a number of acquisitions in the past and may make future acquisitions. Acquisitions and other strategic transactions can

create operational and integration challenges, diversion of management attention, dilution, cultural challenges, assumption of liabilities or debt, and other challenges that can impact our business and results. In addition, making such acquisitions requires significant costs for legal and financial advice and can take management's focus away from achieving other strategic objectives.

#### [Other factors](#)

Risk factors not mentioned above and which are currently believed to be immaterial, or which are currently not known, could also materialize in a manner which could lead to a material adverse effect on the Opera Group's business, operations and financial position.

#### [Shareholders and equity-related issues](#)

As of December 31, 2016, Opera Software ASA had 149,477,429 outstanding shares. Total stock-based compensation expenses for employees in 2016 were \$9.4 million (parent company: 0.9), compared to \$6.7 million (parent company: 0.9) in 2015. As of December 31, 2016, the Group's equity was \$519.6 million (parent company: \$743.0 million).

#### [Allocation of the annual profit](#)

The total comprehensive income for the period for Opera Software ASA was \$596.9 million in 2016. The Board of Directors recommends that no dividend be paid for the 2016 financial year. The dividend disbursement for 2015 amounted to approximately \$260.6 million based on a NOK/USD exchange rate of 0.1165. The Board proposes that of the 2016 total comprehensive profit, \$618.4 million is transferred to other equity, and \$-21.5 million is transferred to the translation reserve.

#### [Going concern](#)

In accordance with section 3-3a of the Norwegian Accounting Act, the Board confirms that the prerequisites for the going concern assumption exist and that the financial statements have been prepared based on the going concern principle.

#### [Subsequent events](#)

For further information on subsequent events, see note 16 of the "Consolidated financial statements".

For further information, please see the announcements published on the Oslo Stock Exchange website ([www.oslobors.no](http://www.oslobors.no)).

#### [Stock Buyback Program](#)

During 2016, Opera bought back 1,383,178 treasury shares for \$6.7 million.

#### [Shareholders](#)

As of December 31, 2016, there were 149,477,429 (145,636,085 as of December 31, 2015) shares outstanding. The Company had 5, 157 (2015: 6,628) shareholders at year's end. At that time, 68.7% (2015: 66.9%) of the shares were held in Norway-based accounts, 8.6% (2015: 8.9%) in U.K.-based accounts, 4.1% (2015: 8.0%) in Lux-



embourg-based accounts 3.5% (2015: 1.4%) in U.S.-based accounts and 15.1% (2015: 14.8%) in accounts based elsewhere. A key concept in Opera's approach to corporate governance is the equal treatment of shareholders. Opera has one class of shares and all shares are freely transferable (with possible exceptions due to foreign law restrictions on sale and offering of securities). Opera is not aware of any agreements between shareholders that restrict the ability to transfer shares or cast votes. All shares in the Company carry equal voting rights. Any decision to waive the preemption rights of existing shareholders to subscribe for shares in the event of an increase in share capital will be explained. Where the Board of Directors resolves to carry out an increase in the share capital and waive the preemption rights of the existing shareholders on the basis of a mandate granted to the Board, an explanation will be publicly disclosed in a stock exchange announcement issued in connection with the increase of the capital. Please see the section entitled "Principles of corporate governance" in the Annual Report for more information.

#### [Discontinued operations](#)

##### [Sale of Consumer business](#)

On 4 November 2016, Opera announced that the transaction between Opera Software ASA and Golden Brick Capital Private Equity Fund I L.P. (the "Buyer") for the sale and purchase of Opera's consumer business for \$575 million (the "Transaction") has been successfully closed. \$38 million of the amount held in escrow (\$575 million) that was not to be released on the closing of the transaction, was released in subsequent installments in December 2016, following the completion of the reorganization of the Consumer Business. Opera recognized a

gain of \$439.7 million on the Transaction which is not taxable.

##### [Sale of TV business](#)

Opera finalized an agreement on December 19, 2016 to sell its TV business ("Opera TV") for \$80 million and an approximately 27% equity interest in Last Lion Ltd. through preferred shares which indirectly owns Opera TV (the "Transaction"). Opera recognized a gain of \$71.0 million on the Transaction which is not taxable.

Accordingly, the Consumer and TV businesses are presented separately as discontinued operations in the consolidated statement of comprehensive income and comparative periods are restated. The net profit recognized in the comprehensive income from these transactions in 2016 was \$510.7 million.

#### [OUTLOOK](#)

Opera remains positive about the Company's overall growth prospects, with the following perspective on the company as a whole:

Within Opera's Mobile Advertising, Opera expects to generate revenue growth from this business in 2017 compared to 2016, driven in particular by new technology which enables additional ad formats and lets us tap into new markets.

Opera expects to see solid growth in its Apps & Games business in 2017 vs. 2016, as Bemobi takes the success in Brazil to a global arena. Opera is investing further in its Performance and Privacy Apps business, where SurfEasy shows profitable growth in the VPN market. Opera also believes in the mid to long term prospects of Rocket Optimizer and used 2016 to reorganize and focus the business for profitability.

#### SHAREHOLDERS



Norway-based accounts	68.7%
U.K.-based accounts	8.6%
Luxembourg-based accounts	4.1%
U.S.-based accounts	3.5%
Accounts based elsewhere	15.1%



# Report from the Board of Directors

## — Parent company information only

Below, please find financial information and commentary on Opera Software ASA, the Opera Software parent company. Please note that the numbers and comments below are only applicable to the parent company and not for the Group. However, the information described above for the Group is also applicable for the parent company, except for the information below.

### FINANCIAL SUMMARY

With effect from 1 January, 2016 a demerger was carried out as part of a corporate structure reorganization process. The Company's business areas related to Consumer and TV as well as subsidiaries, were transferred to two new wholly owned subsidiaries of Opera Software ASA; Opera Software AS and Opera TV AS.

Further, following the sale of substantially all of the Group's Consumer business, and the TV business, which were completed during 2016, the Company's main activities are to serve the Group as a whole, through the following functions and services: CEO/Board of Directors, corporate finance and accounting, legal, HR and IT.

The statement of comprehensive income for comparative periods has been restated to reclassify the revenues and expenses of the disposed business as discontinued operations. There is limited operational activity in 2016 and the restated 2015 statement.

Operating expenses increased by 98% in 2016, primarily due to an increase in headcount,

and increased legal and other costs related to the strategic process. The company delivered EBIT (excluding costs for restructuring the business) of \$-11.4 million (2015: -6.5), a decrease of 75%, and profit before income taxes (including costs for restructuring the business) ended at \$0.7 million (2015: 109.0). The decrease from 2015 was mainly due to the profit from the sale in 2015 of AdColony, Inc. to Opera Mediaworks, LLC (a fully owned subsidiary). Income taxes were \$-0.1 million (2015: 21.0), and the Company's profit for the period from continuing operations was \$0.8 million (2015: 88.1).

Net cash flow from operating activities in 2016 totaled \$-26.8 million (2015: -50.0). The company's cash balance in 2016 was impacted positively by pre-tax profits and proceeds from the sale of shares in the Consumer and TV businesses, as well as dividend received from Opera Software AS, as part of the corporate structure reorganization process. The cash balance in 2016 was reduced by \$134.2 million (2015: 138.6) related to acquisitions, \$186.4 million (2015: 0.0) related to repayment of loans and \$260.6 million (2015: \$4.8 million) related to dividends. As of December 31, 2016, the Company had a cash balance of \$134.2 million (2015: 104.4). The Company's equity ratio was 85% (2015: 70%).

It is the Board's opinion that the annual accounts provide a true and fair view of the Company's activities in 2016.

Oslo, April 28, 2017



Audun Wickstrand Iversen  
Chairman of the Board



Frode Jacobsen



Marianne Blystad



Sophie Charlotte Moatti



Andre Christensen



Lars Boilesen  
CEO



## Statement by the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer (CEO) have reviewed and approved the Board of Directors' report and the financial statements for Opera Software Group and Opera Software ASA as of December 31, 2016, (Annual Report for 2016).

The consolidated financial statements and the financial statements for the parent company have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and the interpretations adopted by the International Accounting Standards Board (IASB). The consolidated financial statements have also been prepared according to applicable regulations and paragraphs in the Norwegian Accounting Act and the relevant paragraphs in the Security Trading Act.

To the best of our knowledge:

- The consolidated financial statements and the financial statements for the parent com-

pany for 2016 have been prepared in accordance with applicable accounting standards.

- The consolidated financial statements and the financial statements for the parent company give a true and fair view of the assets, liabilities, financial position and profits as a whole as of December 31, 2016, for the Group and the parent company.
- The Board of Directors' report for the group and the parent company includes a true and fair review of:
  - The development and performance of the business and the position of the Group and the parent company
  - The principal risks and uncertainties the Group and the parent company face

Oslo, April 28, 2017



Audun Wickstrand Iversen  
Chairman



Frode Jacobsen



Marianne Blystad



Sophie Charlotte Moatti



Andre Christensen



Lars Boilesen  
CEO



# Consolidated group financial statements 2016 Opera Software ASA

The consolidated group annual accounts report for Opera Software ASA contains the following documents:

- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows
- Statement of changes in equity
- Notes to the financial statements

The financial statements, which have been drawn up by the Board and management, should be read in relation to the Annual Report and the independent auditor's opinion.

## Consolidated statement of comprehensive income

(Numbers in \$ million, except per share amounts)		1/1 - 12/31 2016	1/1 - 12/31 2015
Note			Restated
	Revenue	536.7	454.2
1, 2, 5			
	<b>Total operating revenue</b>	<b>536.7</b>	<b>454.2</b>
	Publisher and revenue share cost	311.1	246.6
1, 2, 5			
	Payroll and related expenses, excluding stock-based compensation expenses	110.1	102.9
3, 5			
	Stock-based compensation expenses	9.4	6.7
3			
	Depreciation and amortization expenses	47.0	40.0
7			
	Other operating expenses	66.4	50.9
3, 4, 5, 7, 14			
	<b>Total operating expenses</b>	<b>543.9</b>	<b>447.1</b>
	<b>Operating profit ("EBIT"), excluding restructuring and impairment costs</b>	<b>(7.2)</b>	<b>7.1</b>
	Restructuring and impairment costs	24.1	6.6
12			
	<b>Operating profit ("EBIT")</b>	<b>(31.4)</b>	<b>0.5</b>
	Interest income	2.9	2.9
5			
	Other financial income	25.0	17.4
5			
	Interest expenses	(6.1)	(2.3)
5			
	Other financial expenses	(24.3)	(17.2)
5			
	Interest expense related to contingent consideration	(24.2)	(25.5)
11			
	FX gains (losses) related to contingent consideration, net	14.3	(34.1)
11			
	Revaluation of contingent consideration	(22.8)	1.2
11			
	Share of the profit (loss) from associated companies	(0.1)	0.0
8			
	<b>Profit (loss) before income taxes</b>	<b>(66.6)</b>	<b>(57.1)</b>
	Income taxes	(3.5)	(3.4)
6			
	<b>Profit (loss) from continuing operations</b>	<b>(63.1)</b>	<b>(53.7)</b>
	<b>Profit (loss) from discontinuing operations, net of tax</b>	<b>489.5</b>	<b>2.4</b>
16			
	<b>Profit (loss)</b>	<b>426.4</b>	<b>(51.2)</b>
	<b>Other comprehensive income</b>		
	<b>Items that may or will be transferred to profit (loss)</b>		
	Foreign currency translation differences	(16.4)	8.3
	<b>Total comprehensive income (loss)</b>	<b>410.0</b>	<b>(42.9)</b>
	<b>Profit (loss) attributable to:</b>		
	Owners of Opera Software ASA	426.4	(51.2)
	Non-controlling interests	0.0	0.0
	<b>Total comprehensive income (loss) attributable to:</b>		
	Owners of Opera Software ASA	410.0	(42.9)
	Non-controlling interests	0.0	0.0
	<b>Earnings per share (profit/loss):</b>		
	Basic earnings per share (USD)	2.75	(0.31)
15			
	Diluted earnings per share (USD)	2.71	(0.31)
15			
	<b>Earnings per share (continuing operations):</b>		
	Basic earnings per share (USD)	(0.43)	(0.37)
15			
	Diluted earnings per share (USD)	(0.43)	(0.37)
15			



## Consolidated statement of financial position

Numbers in \$ million	Note	12/31/2016	12/31/2015
<b>Assets</b>			
Deferred tax assets	6	12.2	27.0
Goodwill	7, 8	322.2	389.7
Other intangible assets	7, 8	83.5	129.7
Property, plant and equipment	7	8.1	27.5
Other investments	8, 10	8.0	0.1
Other non-current assets	4, 8, 10	0.5	2.5
<b>Total non-current assets</b>		<b>434.5</b>	576.6
Inventories		0.2	0.3
Accounts receivable	5, 10	154.6	197.3
Other receivables	6, 8	28.0	34.0
Cash and cash equivalents	5	219.5	97.7
<b>Total current assets</b>		<b>402.4</b>	329.3
<b>Total assets</b>		<b>836.9</b>	905.8

## Consolidated statement of financial position

Numbers in \$ million	Note	12/31/2016	12/31/2015
Shareholders' equity and liabilities			
Equity attributable to owners of the company	9	519.6	354.9
Non-controlling interests	9	0.0	0.0
<b>Total equity</b>		<b>519.6</b>	354.9
<b>Liabilities</b>			
Deferred tax liabilities	6	9.2	13.2
Financial lease liabilities	5	0.0	5.6
Loans and borrowings	5	100.0	150.0
Other non-current liabilities	5, 10	2.9	0.1
Provisions	10, 11	54.3	59.6
<b>Total non-current liabilities</b>		<b>166.3</b>	228.5
Loans and borrowings	5	0.5	0.0
Financial lease liabilities	5	0.0	5.7
Accounts payable	10	36.3	42.9
Taxes payable	6	(4.0)	14.5
Public duties payable		7.1	9.8
Deferred revenue	5	7.9	8.4
Stock-based compensation liability	3	0.1	0.1
Other current liabilities	5, 10	77.7	96.9
Provisions	10, 11	25.4	144.0
<b>Total current liabilities</b>		<b>151.0</b>	322.5
<b>Total liabilities</b>		<b>317.3</b>	551.0
<b>Total equity and liabilities</b>		<b>836.9</b>	905.8

Oslo, April 28, 2017



Audun Wickstrand Iversen  
Chairman of the Board



Frode Jacobsen



Marianne Blystad



Sophie Charlotte Moatti



Andre Christensen



Lars Bolesen  
CEO



## Consolidated statement of cash flows

Numbers in \$ million	1/1 - 12/31 2016	1/1 - 12/31 2015
<b>Cash flow from operating activities</b>		
Profit (loss) before taxes <sup>7)</sup>	431.4	(28.8)
Income taxes paid	6	(26.2)
Depreciation and amortization expense	7	54.2
Net (gain) loss from disposals of PP&E, and intangible assets	(0.1)	(0.1)
Net (gain) loss from sale of discontinued operations, net of tax	16	0.0
Impairment losses on intangible assets and goodwill	7, 12	0.0
Impairment losses on remeasurement of disposal group		0.0
Changes in inventories, trade receivables, trade and other payables <sup>1)</sup>	(0.4)	(45.1)
Other net finance items	0.2	0.0
Changes in other operating working capital	4.9	39.6
Share of net income (loss) and net (gain) loss from disposal of associated companies	8	2.4
Share-based remuneration	3	7.8
Earnout cost and cost for other contingent payments	8, 11	58.4
FX differences related to changes in balance sheet items	(35.1)	(6.2)
<b>Net cash flow from operating activities</b>	<b>3.1</b>	<b>56.0</b>
- of which included in continuing operations	42.4	
- of which included in discontinuing operations	(39.3)	
<b>Cash flow from investment activities</b>		
Proceeds from sale of property, plant, and equipment (PP&E) and intangible assets	0.4	0.2
Purchases of property, plant and equipment (PP&E) and intangible assets	7	(7.5)
Capitalized development costs	4, 7	(16.0)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	16	0.0
Purchases of subsidiaries and associated companies, net of cash acquired <sup>3)</sup>	8	(153.0)
Loans given	5	0.0
Other investments <sup>4)</sup>	8	(3.0)
<b>Net cash flow from investment activities</b>	<b>431.1</b>	<b>(179.2)</b>
- of which included in continuing operations	(171.8)	
- of which included in discontinuing operations	602.9	
<b>Cash flow from financing activities</b>		
Proceeds from exercise of treasury shares (incentive program)	9	1.3
Purchase of treasury shares	9	0.0
Proceeds from issuance of shares, net (incentive program)	9	0.0
Proceeds from issuance of shares, net (equity increase)	9	0.0
Proceeds from loans and borrowings	5	90.0
Repayments of loans and borrowings	5	0.0
Payment of finance lease liabilities	5	(3.7)
Disposal of discontinued operations, net of cash disposed of		0.0
Dividends paid to equity holders of Opera Software ASA	9	(4.8)
<b>Net cash flow from financing activities</b>	<b>(312.3)</b>	<b>82.8</b>
- of which included in continuing operations	(307.4)	
- of which included in discontinuing operations	(5.0)	
<b>Net change in cash and cash equivalents</b>	<b>121.8</b>	<b>(40.5)</b>
Cash and cash equivalents (beginning of period)	97.7	138.2
<b>Cash and cash equivalents <sup>5) 6)</sup></b>	<b>219.5</b>	<b>97.7</b>
- of which included in cash and cash equivalents in the balance sheet	219.5	
- of which included in the assets of the disposal group (assets held for sale)	0.0	

### Consolidated statement of cash flows (continued)

<sup>1)</sup> Changes in unbilled revenue are included in changes in accounts receivables.

<sup>2)</sup> Interest income and interest expenses are included in Profit (loss) before taxes. Interest paid and interest received are recognized in the same year that interest income and interest expenses are recognized in the consolidated statement of comprehensive income, with the exception of interest related to re-evaluation of the contingent liabilities related to acquisitions. Conversion differences and interest related to, and re-evaluation of, contingent liabilities are recognized on a separate line as net cash flow from operating activities.

<sup>3)</sup> includes earnout payments. See note 11 for further information regarding payments.

<sup>3)</sup> For 2015, this includes a cash payment of \$9.0 million related to the acquisition of the user base associated with the Nokia Store business (OVI Store) unit of Microsoft.

<sup>4)</sup> includes an investment of \$5.7 million (2015: 2.7) in nHorizon Innovation.

<sup>5)</sup> As of December 31, 2016, the conversion discrepancy loss recognized on cash and cash equivalents was \$0.7 million (2015: 0.1).

<sup>6)</sup> Of which \$2.9 million (2015: \$8.2 million) is restricted cash as of December 31, 2016.

<sup>7)</sup> Reconciliation of Profit (loss) before taxes, as presented in the consolidated statement of cash flows above:

[Numbers in \$ million]	2016	2015
Profit (loss) before income taxes	(66.6)	(57.1)
Profit (loss) from discontinuing operations, net of tax	489.5	2.4
Provision for taxes, discontinued operations	8.5	25.8
<b>Profit (loss) before taxes, as presented in the consolidated statement of cash flows above</b>	<b>431.4</b>	<b>(28.8)</b>



## Consolidated statement of changes in equity

<i>Numbers in \$ million (except number of shares)</i>	Number of shares (million)	Paid-in capital	Other reserves	Reserve for treasury shares	Translation reserve	Other equity	Total equity
<b>Balance as of 12/31/2015</b>	<b>145.3</b>	<b>343.8</b>	<b>38.4</b>	<b>(34.7)</b>	<b>13.9</b>	<b>(6.6)</b>	<b>354.9</b>
<b>Comprehensive income for the period</b>							
Profit (loss)						426.4	426.4
<b>Other comprehensive income</b>							
Foreign currency translation differences					(16.4)		(16.4)
<b>Total comprehensive income for the period</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(16.4)</b>	<b>426.4</b>	<b>410.0</b>
<b>Contributions by and distributions to owners</b>							
Dividends						(260.6)	(260.6)
Issuance of ordinary shares related to business combinations							0.0
Issuance of ordinary shares related to incentive program	3.8	11.3					11.3
Issuance of ordinary shares related to equity increase							0.0
Treasury shares purchased	(1.4)	(6.7)					(6.7)
Treasury shares sold							0.0
Tax deduction on equity issuance costs							0.0
Share-based payment transactions			10.7				10.7
<b>Total contributions by and distributions to owners</b>		<b>4.6</b>	<b>10.7</b>	<b>0.0</b>	<b>0.0</b>	<b>(260.6)</b>	<b>(245.3)</b>
<b>Other equity changes</b>							
Other changes						(0.0)	(0.0)
<b>Total other equity changes</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.0)</b>
<b>Balance as of 12/31/2016</b>	<b>147.7</b>	<b>348.5</b>	<b>49.1</b>	<b>(34.7)</b>	<b>(2.5)</b>	<b>159.2</b>	<b>519.6</b>

### Face value of the shares

The face value of the shares is NOK 0.02.

### Other reserves

Other reserves consist of option and RSU costs recognized according to the equity settled method and issued shares registered in the period after the current financial year.

### Reserve for treasury shares

The reserve for the Group's treasury shares comprises the face value cost of the Company's shares held by the Company.

### Translation reserve

The translation reserve consists of all foreign currency differences arising from the translation of the financial statements of foreign operations.

### Other equity

Other equity consists of all other transactions, including but not limited to, total recognized income and expense for the current period and excess value of the Company's own shares.

## Consolidated statement of changes in equity

<i>Numbers in \$ million (except number of shares)</i>	Number of shares (million)	Paid-in capital	Other reserves	Reserve for treasury shares	Translation reserve	Other equity	Total equity
<b>Balance as of 12/31/2014</b>	<b>141.7</b>	<b>317.7</b>	<b>30.6</b>	<b>(34.7)</b>	<b>5.5</b>	<b>48.2</b>	<b>367.3</b>
<b>Comprehensive income for the period</b>							
Profit (loss)						(51.2)	(51.2)
<b>Other comprehensive income</b>							
Foreign currency translation differences					8.3		8.3
<b>Total comprehensive income for the period</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.3</b>	<b>(51.2)</b>	<b>(42.9)</b>
<b>Contributions by and distributions to owners</b>							
Dividends						(4.8)	(4.8)
Issuance of ordinary shares related to business combinations	2.4	29.4					29.4
Issuance of ordinary shares related to incentive program							0.0
Issuance of ordinary shares related to equity increase							0.0
Treasury shares purchased							0.0
Treasury shares sold	1.2			0.0		1.3	1.3
Tax deduction on equity issuance costs		(3.1)					(3.1)
Share-based payment transactions			7.8				7.8
<b>Total contributions by and distributions to owners</b>		<b>26.3</b>	<b>7.8</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.5)</b>	<b>30.6</b>
<b>Other equity changes</b>							
Other changes		(0.2)					(0.2)
<b>Total other equity changes</b>		<b>(0.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.2)</b>
<b>Balance as of 12/31/2015</b>	<b>145.3</b>	<b>343.8</b>	<b>38.4</b>	<b>(34.7)</b>	<b>13.9</b>	<b>(6.6)</b>	<b>354.9</b>

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The face value of the shares is NOK 0.02.

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### Reserve for treasury shares

The reserve for the Group's treasury shares comprises the face value cost of the Company's shares held by the Company.

### Translation reserve

The translation reserve consists of all foreign currency differences arising from the translation of the financial statements of foreign operations.

### Other equity

Other equity consists of all other transactions, including but not limited to, total recognized income and expense for the current period and excess value of the Company's own shares.



## Note 1. Significant accounting principles and general information

### General information

Opera Software ASA (the “Company”) is a company domiciled in Norway. The Company’s principal offices are located at Gjerdrums vei 19, Oslo, Norway. The company is a public limited company that is listed on the Oslo Stock Exchange under ticker OPERA.

The consolidated financial statements of the Group for the year ended December 31, 2016, comprise the Company and its subsidiaries.

### Statement of compliance

The consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and the interpretations adopted by the International Accounting Standards Board (IASB). The consolidated and parent company financial statements have also been prepared according to applicable regulations and paragraphs in the Norwegian Accounting Act and the relevant paragraph in the Securities Trading Act.

These consolidated and parent company financial statements have been approved by the Board of Directors on April 28, 2017 and will be proposed to/are subject to approval by the Annual General Meeting June 2, 2017.

### Basis of preparation

The consolidated and parent company financial statements have been prepared on a historical cost basis.

The consolidated and parent company financial statements are presented in US dollars (USD), rounded to the nearest million, unless otherwise stated. As a result of rounding differences, amounts and percentages may not add up to the total. The functional currency of the parent company is NOK.

Except for liabilities for derivative financial instruments, cash-settled, share-based payment arrangements and contingent considerations obtained in business combinations, no other assets or liabilities are recognized at their fair value. Assets and liabilities acquired in business combinations are valued at fair value at the acquisition date according to IFRS 13. No subsequent changes in fair value are recognized except for impairment losses. Receivables and debts are assumed to have a market value equal to the carrying amount.

The preparation of consolidated and parent financial statements, in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS, which have a significant effect on the consolidated and parent company financial statements and estimates, with a significant risk of material adjustment in the next year, are discussed in note 13.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and parent company financial statements.

The accounting policies have been applied consistently by Group entities.

### Changes in accounting policies

The Group has not changed its accounting policies during the 2016 financial year.

### Basis of consolidation

#### Business combinations

Business combinations are accounted for using the acquisition method. Subsidiaries are included in the consolidated financial statements from the date the Group effectively obtains control of the subsidiary (acquisition date) and until the date the Group ceases to control the subsidiary. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree, plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not premeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree’s employees (acquirer’s awards) and relate to past services, then all or a portion of the amount of the acquiree’s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree’s awards and the extent to which the replacement awards relate to past and/or future service.

### Subsidiaries – consolidated financial statements

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### Loss of control – associates and jointly controlled entities

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests, and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### Investments in associates – associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income, after adjustments, to align the accounting policies of the associate with those of the Group from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### Investments in subsidiaries – parent company

For investments in subsidiaries, associates and jointly controlled entities, the cost method is applied. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken as income. Dividends exceeding the portion of retained profit after the acquisition are reflected as a reduction in cost price. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount.

Investments in subsidiaries, associates and jointly controlled entities are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. An impairment loss is reversed if the impairment situation is deemed to no longer exist.

### Transactions eliminated on consolidation

Intra-group balances, any unrealized gains and losses, or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate prevailing on that date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are recognized at fair value are translated to USD at foreign exchange rates prevailing on the date the fair value was determined.

#### Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from consolidation, are translated to USD at foreign exchange rates prevailing on the balance sheet date. Revenues and expenses of foreign operations are translated to USD using the approximate foreign exchange rates prevailing on the transaction date. Foreign exchange differences arising from re-translation are recognized directly in a separate component of equity.

### Property, plant and equipment

#### Owned assets

Property, plant and equipment are recognized at cost, less accumulated depreciation (see below) and impairment losses (see accounting policy regarding impairment).

Where parts of property, plant and equipment have different useful lives, the components are depreciated separately.

#### Leased assets

Leases, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Expenses concerning the upgrading of leased premises have been capitalized and are amortized over the remaining term of the contract.

#### Subsequent costs

The Group recognizes, in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group, and the cost of the item can be measured reliably. All other costs are recognized in



the statement of comprehensive income as an expense as incurred.

*Depreciation*

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold improvements Up to 6 years
- Machinery and equipment Up to 10 years
- Fixtures and fittings Up to 5 years

The residual value, if not insignificant, is reassessed annually.

**Intangible assets**

*Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see above.

Goodwill is recognized at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment (see accounting policy regarding impairment).

*Research and development*

Expenses related to research activities, which are expected to lead to scientific or technological knowledge and understanding, are recognized as costs in the statement of comprehensive income in the period they are incurred.

Cost of building new features, together with significant and pervasive improvements of core platforms, provided that the significant and pervasive improvements of parts or main components of core platforms will generate probable future economic benefits, are capitalized as development costs and amortized on a straight-line, 3-year basis.

A significant portion of the work that engineering performs is related to the implementation of the ongoing updates that are required to maintain the platforms' functionality. Examples of updates include "bug fixes", updates made to comply with changes in laws and regulations, and updates made to keep pace with the latest trends. These costs are expensed as maintenance costs.

*Other intangible assets*

Other intangible assets that are acquired by the Group, are recognized at cost less accumulated amortization (see below) and impairment losses (see accounting policy regarding impairment).

*Subsequent expenditure*

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

*Amortization*

Amortization is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are systematically tested for impairment at each balance sheet date.

**Financial instruments**

*Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially measured at fair value plus transaction costs, except for those non-derivative financial instruments classified as at fair value through profit or loss, which are initially measured at fair value without transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

*Derivative financial instruments*

From time to time, the Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value; associated transaction costs are recognized in the profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognized in the profit or loss. No hedge accounting has been applied.

*Trade and other receivables*

Trade and other receivables are recognized at their cost less impairment losses (see accounting policy regarding impairment).

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Deposits in money market funds are included in cash and cash equivalents, as the funds can be withdrawn from the money market fund at will.

**Impairment**

*Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

*Non-financial assets*

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The cash-generating unit is considered to be the acquired companies. Please see note 8 for further information. Impairment losses are recognized in the statement of comprehensive income.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

*Calculation of recoverable amount*

The recoverable amount of the Group's assets is the greater of their fair value less cost of disposal and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Reversals of impairment*

An impairment loss in respect of goodwill is not reversed.

With respect to other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount do not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Determination of fair values**

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

**Dividends**

Dividends on shares are recognized as a liability in the period in which they are declared.

**Employee benefits — Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**Restructuring**

A provision for restructuring costs is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been publicly announced. Further, operating losses are not provided for.

**Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for restructuring. If benefits are not expected to be settled within 12 months of the end of the reporting period, then they are discounted.

**Share-based payment transactions**

The share option program allows Group employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black & Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognized as

an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Restricted Stock Unit Plans are measured at the grant date using the current market value reduced by expected dividends paid before the vesting date, which is then further discounted.

**Provisions**

A provision is recognized in the statement of financial position when the Group has a currently existing legal or constructive obligation as a result of a past event, and it is probable that a future outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The fair value of a contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e., probability-weighted). Since a part of the contingent consideration is long-term in nature, it is discounted to present value.

**Warranties**

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

**Onerous contracts**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

**Trade and other payables**

Trade and other payables are recognized at cost.

**Revenue recognition**

The Company has the following primary sources of revenue:

- Advertising
- Application and content
- Subscription
- Licenses/royalties
- Development fees
- Maintenance, support and hosting

Opera's main revenue recognition principles are as follows: Opera only recognizes revenues when: (i) persuasive evidence of an arrangement exists (i.e. signed agreement), (ii) delivery of the product and/or service has occurred, (iii) revenue is fixed and determinable, and the amount of revenue can be measured reliably and (iv) collection of payment is reasonably assured.

*Advertising*

Opera recognizes revenue based on the activity of mobile users viewing ads through Opera-owned properties, developer applications and mobile websites. Our revenue is recognized when our advertising services are delivered based on the specific terms of the advertising contract, which are commonly based on the number of ads delivered, or views, clicks or actions by users on mobile advertisements. At that time, our services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists, and collectability is reasonably assured.



Opera sells advertising on several bases: CPM (cost per thousand), where Opera charges advertisers and recognizes revenue based on when an ad is delivered to a consumer; CPCV (cost per completed video view), where Opera charges advertisers and recognizes revenue based upon a completed view of a mobile video advertisement; CPC (cost per click), where Opera charges advertisers and recognizes revenue for each ad clicked on by a consumer; and CPA (cost per action), where Opera charges advertisers and recognizes revenue each time a consumer takes a specified action, such as downloading an application. The vast majority of our revenue today is earned on a CPM and CPCV basis, although Opera expects advertising revenue delivered on a CPC and CPA basis to increase in the future.

For the revenue generated through Opera-owned properties, revenue is reported on a gross basis, as Opera is the principal in our transactions with advertisers. Opera is responsible for identifying and contracting with third-party advertisers, establishing the selling prices of the advertisements sold, and performing all billing and collection activities, including retaining credit risk, as well as bearing sole responsibility for fulfillment of the advertising. Accordingly, Opera acts as the principal in these arrangements and, therefore, reports revenue earned and costs incurred related to these transactions on a gross basis.

In the normal course of business, Opera acts as an intermediary in executing transactions with third parties. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether Opera is acting as the principal or an agent in our transactions with advertisers. The determination of whether Opera is acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching our conclusions on gross versus net revenue recognition, Opera places the most weight on the analysis of whether Opera is the primary obligor in the arrangement. For agreements where Opera has a contractual relationship with both the publisher and the associated advertisement supplier, Opera is responsible for identifying and contracting with third-party advertisers, establishing the selling prices of the advertisements sold and performing all billing and collection activities, including retaining credit risk, as well as bearing sole responsibility for fulfillment of the advertising. Accordingly, Opera acts as the principal in these arrangements and, therefore, reports revenue earned and costs incurred related to these transactions on a gross basis. For agreements where the publisher has a direct contractual relationship with the advertiser, revenue is recognized on a net basis, as Opera is not the primary obligor and does not assume the fulfillment and credit risk.

Opera also offers additional services to assist in both forecasting and/or transmission of information between publishers and advertisers. Opera recognizes revenue once our services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists and collectability is reasonably assured.

#### *Application and content*

Application and Content revenue is generated when a user purchases a subscription of mobile-app discovery services, a subscription from a “co-branded” mobile store, or a premium application from the Opera-branded Opera Mobile Store (OMS). When a transaction occurs in OMS, Opera collects the payment and shares a percentage of the revenue with the developer. When a transaction occurs in a

“co-branded” or an operator-controlled version of the mobile store, two payment methods will exist. The user may pay using the Opera Payment Exchange, in which case Opera would collect and share a percentage of the revenue with both the operator and the developer, or the user may use a form of carrier billing, where the operator would collect the payment and share a portion of the revenue with Opera, who would in turn share a percentage of revenue with the developer. The revenue occurs on a transaction basis, and is recognized in the period in which the transaction occurs.

#### *Subscription*

Revenue is recognized on a straight line basis over the period in which the subscription relates. That portion of the revenue recorded as received in advance is carried on the balance sheet as deferred revenue. Subscription revenue is generated by Opera’s VPN service for smartphones, tablets, and computers. There are both paid premium subscription based VPN offerings with unlimited data as well as a free option with monthly renewing data limits. For the paid premium subscription based VPN service, Opera offers subscriptions that can be renewed for a range of periods, generally monthly or annually, all of which require payment in advance. In addition to periodic subscriptions, revenue is generated through hardware sales of Private Browser keys that plug into the USB port to fully secure the user’s internet connection. This product is acquired through a one-time payment and in return the user is given unlimited data protection as long as the user possesses the USB key. Revenue from the sale of the USB hardware is recognized in the period the product is sold.

#### *Licenses/royalties*

Customer device agreements typically involve multiple sources of revenue, including license/royalty income, development fees, and maintenance and support. For customer contracts where development and customization have already been completed, or, if no development or customization is required, Opera typically recognizes license/royalty revenue in the same period as the customer ships the devices with Opera preinstalled. In cases where Opera is not preinstalled, Opera recognizes license/royalty income when the customer or customer’s customer downloads the Opera browser to its device.

For certain agreements, a customer commits on contract signature to pay, on an installment basis, for a fixed or unlimited number of licenses over an extended time period. In these cases, provided that Opera has no substantive customization obligations attached to these committed licenses; Opera recognizes revenues on these licenses in the accounting period in which the installment payment is due from the customer, as these contracts include extended payment terms.

#### *Development fees*

Development fees are recognized in the month the service is provided. Development fees, or non-recurring engineering, where the Company customizes its products for its customers typically spans a number of accounting periods. Consequently, a portion of the revenue is taken each period using the percentage of completion method. This calculation is made by taking the total number of hours delivered during an accounting period divided by the total estimated hours to fulfill the terms of the contract. The total estimated hours to fulfill the contract are constantly monitored by the Company and updated periodically where appropriate. The portion of revenue not yet invoiced to the customer is presented as unbilled revenue. Percentage of completion calculations are made using the contract currency and converted to USD.

#### *Maintenance, support and hosting*

Maintenance, support and hosting revenues are recognized ratably over the term of the maintenance, support and hosting agreements with the customer.

#### **Cost of goods sold**

Cost of goods sold comprises publisher costs and the cost of licenses purchased from third-party suppliers. Publisher costs consist of the agreed-upon payments Opera makes to publishers for their advertising space, in which we deliver mobile ads. These payments are typically determined in advance as either a fixed percentage of the advertising revenue we earn from mobile ads placed on the publisher’s application or website or as a fixed fee for that ad space. Opera recognizes publisher cost at the same time we recognize the associated revenue. License costs are the costs of licenses purchased from third-party suppliers.

#### **Other income (costs)**

Material income and costs, which are not related to the normal course of business, are classified as other operating income (cost).

#### **Expenses**

##### *Lease payments*

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of comprehensive income as an integral part of the total lease expense.

Minimum lease payments made under finance leases are apportioned between the finance expense and the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Net financing costs*

Other finance income and costs comprise foreign exchange gains and losses and contingent consideration, which are recognized in the statement of comprehensive income.

Interest income is recognized in the statement of comprehensive income as it accrues, using the effective interest method.

Dividend income is recognized in the statement of comprehensive income on the date upon which the entity’s right to receive payments is established.

#### **Income tax**

Income tax on the profit or loss for the year comprises current and deferred taxes. Income tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Taxes paid abroad for the parent company will be deducted in Norwegian taxes if the Company has taxes payable in Norway. If Opera has no Norwegian taxes payable, the taxes paid abroad will be carried forward as a deductible in future taxes payable.

#### **Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which include share options and RSUs granted to employees.

#### **Segment reporting**

Opera identifies its reportable segments and discloses segment information in accordance with IFRS 8 Operating Segments. See Note 2 Segments and Revenues.

#### **Discontinued operations**

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earliest of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year

#### **New standards and interpretations not yet adopted**

- IFRS 9 Financial Instruments – Classification and Measurement (effective from January 1, 2018). The adoption of IFRS 9 is not expected to have a significant impact on the classification and measurement of the Group’s financial assets and liabilities.

- IFRS 15 Revenue from Contracts with Customers (effective from January 1, 2018). Opera is in process of evaluating any potential impact of IFRS 15 on its revenue recognition policies. In particular, the assessment of whether Opera is acting as the principle or agent in our transactions with advertisers in determining whether revenues are recognized on gross or net basis. For the vast majority of rev-



enue streams, Opera expects it will continue to recognize revenue on a gross basis due to the Company having primary responsibility to provide specified goods or services, assuming inventory risk, and having discretion to establish prices, however this assessment is not finalized. Opera expects to complete its analysis in the second half of 2017

- IFRS 16 Leases (effective from 1 January 2019, but not approved by the EU). The new standard for leasing will significantly change how the group accounts for its lease

contracts for offices and other assets currently accounted for as operating leases. Under IFRS 16, an on-balance sheet model that is similar to current financial leases accounting will be applied to all lease contracts, only leases for small items such as PC's and office equipment will be exempt. Opera has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of office facilities.

## Note 2. Operating and geographic segment information

The Group's business activities stem from advertising revenue generated from AdColony and other Mobile Advertising subsidiaries, subscription revenue from mobile-app discovery and VPN services, and license revenue from Rocket Optimizer™.

The sale of substantially all of the Group's Consumer business, and the TV business was completed during 2016. This process has led to certain changes in the Group's internal reporting processes, such that three business units are now reported to Group Executive Management (chief operating decision-makers). Members of Group Executive Management are specified in note 3. Therefore, these business units are presented as segments in 2016. In 2015 there was one reporting segment, but this note is updated to provide comparative information. In addition, the Group reports Corporate Costs separately.

The following are Opera's segments as at 31 December, 2016:

### Mobile Advertising

Opera's mobile advertising segment consists of mobile advertising and marketing platforms, primarily AdColony, providing end-to-end platforms for brands, agencies, publishers and application developers to deliver advertising to consumers on mobile devices around the world.

Mobile Advertising revenue is primarily comprised of revenue based on the activity of mobile users viewing ads through 3rd Party Publishers, such as developer applications and mobile websites. Revenue is recognized when Opera's advertising services are delivered based on the specific terms of the advertising contract, which are commonly based on the number of ads delivered, or views, clicks or actions by users on mobile advertisements.

### Apps & Games

Opera's Apps & Games segment consists primarily of Bemobi's app subscription services. This includes Apps Club Family, a "subscription service mainly offered in partnership with mobile operators in emerging countries; stand-alone subscription apps; " and mobile couponing.

Apps & Games revenue is primarily comprised of: i) Subscription revenue when a user purchases a subscription from Bemobi's mobile-app discovery service, (ii) Opera-branded Opera Mobile Store (OMS), when a user purchases a premium application, and (iii) Subscription revenue when a user purchases a subscription from a "co-branded" mobile store, or a white-label operator-controlled version of the mobile store, which is also known as the Opera Mobile Subscription Store.

### Performance & Privacy

Opera's Performance & Privacy segment consists of the SurfEasy and Skyfire businesses. SurfEasy offers a branded VPN for mobile and desktop, and a White labeled VPN solutions for 3rd party brands. Skyfire offers data compression technology with Rocket Optimizer™. Performance & Privacy revenue is primarily comprised of i) subscription revenue generated by the SurfEasy VPN service for mobile and desktop, and ii) license fees from Rocket Optimizer™

### Corporate Costs

Corporate costs comprise primarily i) costs related to personnel working in functions that serve the Group as a whole, including CEO/Board of Directors, corporate finance and accounting, legal, HR and IT, and ii) legal and other costs related to business combinations and the strategic review process.

See note 1 for further information regarding revenue recognition.

[Numbers in \$ million]

	2016	2015
<b>Revenue</b>		
Mobile Advertising	484.2	419.9
Apps & Games	48.2	24.3
Performance & Privacy	9.2	12.3
Corporate Costs	-0.0	0.0
Eliminations Continued Operations	(0.3)	0.0
Eliminations against Discontinued Operations	(4.6)	(2.2)
<b>Total Group <sup>1)</sup></b>	<b>536.7</b>	<b>454.2</b>
<b>Gross profit</b>		
Mobile Advertising	185.8	180.1
Apps & Games	31.6	18.2
Performance & Privacy	8.3	11.5
Corporate Costs	0.0	0.0
Eliminations	0.0	0.0
<b>Total Group <sup>1)</sup></b>	<b>225.6</b>	<b>209.8</b>
<b>Adjusted EBITDA <sup>2)</sup></b>		
Mobile Advertising	40.4	54.9
Apps & Games	22.5	8.7
Performance & Privacy	(7.2)	(3.4)
Corporate Costs	(6.5)	(4.4)
Eliminations Continued Operations	0.0	0.0
Eliminations against Discontinued Operations	0.0	(2.1)
<b>Total Group <sup>1)</sup></b>	<b>49.1</b>	<b>53.8</b>

<sup>1)</sup> See note 16 for further information regarding discontinued operations.

<sup>2)</sup> Excluding restructuring and impairment costs and stock-based compensation expenses.

Adjusted EBITDA is reviewed regularly by Group Executive Management, since it is considered to represent an appropriate measure showing the underlying operational performance excluding non-recurring items

Reconciliation of Adjusted EBITDA	2016	2015
<b>Profit (loss) from continuing operations</b>	<b>(63.1)</b>	<b>(53.7)</b>
Income taxes	(3.5)	(3.4)
<b>Profit (loss) before income taxes</b>	<b>(66.6)</b>	<b>(57.1)</b>
Net financial income (expenses)	(35.3)	(57.6)
<b>Operating profit ("EBIT")</b>	<b>(31.4)</b>	<b>0.5</b>
Depreciation and amortization expenses	47.0	40.0
Restructuring and impairment costs	24.1	6.6
Stock-based compensation expenses	9.4	6.7
<b>Adjusted EBITDA</b>	<b>49.1</b>	<b>53.8</b>

### EBITDA:

Earnings before financial items, taxes, depreciation and amortization.

### Adjusted EBITDA:

EBITDA excluding stock-based compensation expenses and restructuring costs.



## Revenues

Revenue by region <i>[Numbers in \$ million]</i>	2016	2015
Americas <sup>1) 2)</sup>	324.4	339.3
EMEA	133.7	85.4
Asia Pacific	78.6	29.5
<b>Total</b>	<b>536.7</b>	<b>454.2</b>

<sup>1)</sup> Revenue attributed to customers domiciled in the United States amounted to \$270.1 million (2015: 312.6).

<sup>2)</sup> Revenue attributed to customers domiciled in Brazil amounted to \$40.4 million (2015: 14.4).

The breakdown of revenue by region reflects the customer's country of domicile. Consequently, the revenue breakdown reflects the location of Opera's customers and partners. Because the products of Opera's customers and partners are distributed globally, the breakdown above does not accurately reflect where Opera's derivative products are actually used.

Revenue type <i>[Numbers in \$ million]</i>	2016	2015
Advertising	482.9	419.9
Application and content	45.8	14.5
Subscription	3.7	2.4
Development fees	1.9	1.0
Licenses/royalties	1.4	14.6
Maintenance, support and hosting	0.9	1.9
<b>Total</b>	<b>536.7</b>	<b>454.2</b>

In 2016 and 2015, there were no customers that accounted for more than 10% of total Group revenues.

Revenues attributed to Norway amounted to \$4.1 million (2015: 0.3), and revenue attributed to all foreign countries in total amounted to \$532.6 million (2015: 453.9).

Assets by segment <i>[Numbers in \$ million]</i>	Total assets	Non-current assets 2016
Mobile Advertising	540.1	316.5
Apps & Games	126.1	90.0
Performance & Privacy	11.2	4.0
Other (including parent company)	159.4	11.9
<b>Total</b>	<b>836.9</b>	<b>422.3</b>

See note 8 for information regarding impairment losses per segment.

Non-current assets <i>[Numbers in \$ million]</i>	2016	2015
Non-current assets located in Norway	11.9	33.1
Non-current assets located in foreign countries	410.4	516.4
<b>Total</b>	<b>422.3</b>	<b>549.5</b>

The breakdown above reflects non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in Norway and located in all foreign countries.

Assets located in the United States account for \$301.2 million (2015: 352.8) of the total non-current assets. The vast majority of the value is related to the acquisitions described in more detail in note 8.

A more detailed overview of the assets domiciled in Norway is provided in the "Statement of financial position" for the parent company.

## Note 3. Payroll expenses and remuneration to management

Payroll expenses <i>[Numbers in \$ million]</i>	2016	2015
Salaries/bonuses	85.0	77.5
Social security cost	7.5	8.2
Pension cost	2.5	2.5
Stock-based compensation expense, including social security cost	9.4	6.7
Other payments	8.0	7.5
Consultancy fees for technical development	7.1	7.1
<b>Total</b>	<b>119.4</b>	<b>109.6</b>
Average number of employees	1 017	879

The Norwegian companies in the Group are obligated to follow the Act on Mandatory company pensions and these companies pension schemes follow the requirement as set in the Act.

### Compensation to the CEO and Chairman of the Board

The CEO has waived his rights under Section 15-16 of the Norwegian Working Environment Act of 2005 relating to employees' protection, termination of employment contracts, etc.

As compensation, the CEO is entitled to receive a termination amount of two years' base salary if the employment contract is terminated by the Company.

As of December 31, 2016, there was no existing severance agreement between Opera and the Chairman of the Board.

The Group has not given any loans or security deposits to the CEO, the Chairman of the Board or their related parties.

A bonus program exists for the senior Executive Team at Opera. For each individual executive, a limit is set for the amount of bonus that can be achieved. The size of the bonus payment is dependent on actual company performance compared to a set of predefined targets. The bonus program and predefined targets are approved by the Remuneration committee and the Board of Directors.

An accrual for all 2016 bonuses for senior executives has been recognized in the consolidated financial statements. Bonuses will be paid in 2017.

### Auditor remuneration

KPMG is the Group auditor of Opera Software ASA. The following table shows fees to KPMG for 2016 and 2015. For all categories the reported fee is the recognized expense in other operating expenses for the year.

Remuneration to the statutory auditors <i>[Numbers in \$ million]</i>	2016	2015
Statutory audit	0.5	0.9 <sup>1)</sup>
Other certification services	0.5	0.2 <sup>2)</sup>
Tax-related advice	0.0	0.0 <sup>-</sup>
Other services	0.0	0.1 <sup>3)</sup>
<b>Total</b>	<b>1.0</b>	<b>1.2</b>

<sup>1)</sup> Statutory audit fees in 2016 include \$0.0 (2015: \$0.4) million recognized in discontinued operations.

<sup>2)</sup> Other certification services in 2016 include \$0.5 million recognized in discontinued operations (2015: 0.1).

<sup>3)</sup> Other services in 2015 include \$0.1 million recognized in discontinued operations



**Share compensation program:**

For further information on granted and vested RSUs see below in this note.

**RSU program**

The current RSU Program was approved by the Annual General Meeting in 2015 and can be summarized as follows (and as further detailed below):

One RSU entitles the holder upon exercise to receive one share in Opera Software ASA, against payment of the par value of the share (currently NOK 0.02 per share). If and when RSUs vest, they will exercise automatically. The number of RSU's to be approved shall not exceed 0.8% of outstanding shares at 31 December of the year preceding the relevant Annual General Meeting.

Vesting of the RSUs can be time based and/or performance based.

For the period from 3 June 2015 up to the Annual General Meeting in 2016, a maximum of 1,145,612 RSUs could be granted.

**Options program**

The options outstanding relate to options granted in 2014 and prior.

One option entitles the holder upon exercise to receive one share in Opera Software ASA, against payment of the applicable strike price for the option. If and when options vest, they will exercise automatically.

The applicable strike price for options will be the volume weighted average share price 5 trading days before and 5 trading days after the granting of the options.

Vesting of the options will as a main rule be time based, but individual performance criteria may be added.

Options will normally vest 1/3 after 2 years, 1/3 after 3 years and 1/3 after 4 years. For further information on granted and vested Options see below in this note.

**Options****Weighted average exercise price**

The number and weighted average exercise price of share options are as follows:

<i>[In thousands of options]</i>	Weighted average exercise price 2016 (NOK)	Number of options 2016	Weighted average exercise price 2015 (NOK)	Number of options 2015
Outstanding at the beginning of the period	39.46	5 180	43.63	5 744
Terminated (employee terminations)	57.74	1 095	48.25	182
Forfeited during the period	0.00	0	0.00	0
Expired during the period	0.00	0	0.00	0
Exercised during the period	32.16	3 270	30.36	382
Granted during the period	0.00	0	0.00	0
Outstanding at the end of the period		815		5 180
Exercisable at the end of the period		462		2 879

The fair value of services received in return for stock options granted is measured by using the Black & Scholes option pricing model.

The expected volatility is based on historic volatility (calculated using the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information.

Share options are granted under service conditions, not market-based conditions. Such conditions are not taken into account in the grant date fair-value measurement. There are no market conditions associated with the share option grants.

An annual average attrition rate of 15% is used. This average attrition rate, and the employees responsibility for paying the Company's contributions related to the options, are taken into consideration when estimating the cost of the options in accordance with IFRS 2. Given that employees have the right to exercise their options one or three years after the vesting date (depending on when the options were granted), the estimate is based on an assumption that the employees, on average, are exercising their options 18 months after the vesting date.

No options were granted in 2016 (2015: 0 options granted).

The strike price for options that have not yet vested shall be adjusted for any dividend paid out during the vesting period.

The table below shows the number of options issued to employees at various strike prices and exercise dates.

Exercise price <i>[In thousands of options]</i>	TOTAL OUTSTANDING OPTIONS			VESTED OPTIONS	
	Outstanding options per 12/31/2016	Weighted average remaining lifetime	Weighted average exercise price (NOK)	Vested options 12/31/2016	Weighted average exercise price (NOK)
0.00 - 10.00	62.50	0.89	6.46	62.50	6.46
10.00 - 12.30	210.00	2.33	11.66	210.00	11.66
12.30 - 15.00	-	-	-	-	-
15.00 - 20.00	175.00	3.74	19.28	67.50	19.28
20.00 - 25.00	122.31	3.18	22.22	122.31	22.22
25.00 - 30.00	-	-	-	-	-
30.00 - 35.00	-	-	-	-	-
35.00 - 40.00	-	-	-	-	-
40.00 - 45.00	-	-	-	-	-
45.00-	245.00	4.72	60.75	-	-
<b>Total</b>	<b>814.81</b>	<b>3.37</b>	<b>29.24</b>	<b>462.31</b>	<b>14.86</b>

Exercise price = strike price

The table below shows the date, number and achieved selling price of options exercised.

*[In thousands of options]*

Date of exercise	Number of exercised options	Achieved selling price (NOK)
3/7/2016	531.79	66.87
9/7/2016	1 170.73	53.50
11/16/2016	1 567.50	49.96
<b>Total</b>	<b>3 270.01</b>	

**Restricted stock units**

The total number of RSUs granted in 2016 was 2 409 833 (2015: 1 129 000)

Fair value of RSUs and assumptions <i>[Numbers in NOK]</i>	2016	2015
Fair value at measurement date (average per RSU)	62.61	68.98
Spot Price at grant	63.36	71.00
Expected dividends to reduce fair value (PV)	0.75	2.02
RSU life	1.90	1.76
Risk-free interest rate (based on national government bonds), in %	0.51%	0.89%



Restricted Stock Units	2016		2015	
	Shares	Weighted Average Exercise Price (NOK)	Shares	Weighted Average Exercise Price (NOK)
Outstanding at the beginning of period	2 119 576	0.02	1 868 490	0.02
Granted	2 409 833	0.02	1 129 000	0.02
Transferred in	376 786	0.02	37 500	0.02
Exercised	-	-	-	-
Released	-613 834	0.02	-813 985	0.02
Cancelled	-	-	-	-
Forfeited	-757 871	0.02	-74 425	0.02
Expired	-	-	-	-
Adjusted quantity	-446 390	0.02	10 496	0.02
Performance adjusted	-	-	-	-
Transferred out	-376 786	0.02	-37 500	0.02
Outstanding at the end of period	2 711 314	0.02	2 119 576	0.02
Vested options	99 550	0.02	5 000	0.02
Weighted Average Fair Value of Options				
Granted during the period	2 409 833	62.61	1 129 000	68.70
Intrinsic value outstanding options at the end of the period	2 711 314	101 077 786	2 119 576	107 102 175.00
Intrinsic value vested options at the end of the period	99 550	3 711 224	5 000	252 650.00

The actual 2016 performance level was 86%.

## Compensation to executive management

### Compensation to executive management 2016

[Numbers in \$ million]

#### Executives

	Remuneration	Salary	Bonus	Other compensation	Pension compensation Benefit exercised options/RSUs	Total compensation
Lars Boilesen, CEO	0.50	2.03	0.02	0.08	1.02	3.63
Erik C. Harrell, CFO/CSO until 15 April	0.36	0.18	0.02	0.02	1.33	1.92
Frode Jacobsen, CFO, from 15 April to 4 November	0.15	0.30	0.00	0.02	0.01	0.47
Andreas Thome, CCO until 4 November	0.24	0.33	0.00	0.03	0.81	1.40
Will Kassoy, CEO AdColony	0.44	0.03		0.01	0.04	0.51

#### The Board of Directors

Sverre Munck, Chairman until 15 December	0.13					0.13
Audun Wickstrand Iversen, Board Member until 15 December, Chairman from 15 December	0.04					0.04
Frode Jacobsen, Board Member from 15 December, see above under executives						
Andre Christensen, Board Member	0.04					0.04
Marianne Blystad, Board Member	0.04				0.03	0.07
Sophie Charlotte Moatti, Board Member	0.04					0.04
Christian Uribe, Board Member - Employee Representative until 22 May	0.00	0.06		0.00		0.06
Robert Mieczyslaw Tomaszewski - Employee Representative from 22 May until 4 November	0.01	0.10			0.00	0.11
Erik Möller, Board Member - Employee Representative until 4 November	0.01	0.05			0.00	0.06
Lis Malin Rundberg, Board Member - Employee Representative until 4 November	0.00	0.06	0.00	0.00		0.06

#### The Nomination Committee

Jakob Iqbal, Chairman	0.01					0.01
Nils Foldal, Member	0.00					0.00
Kari Stautland, Member	0.00					0.00

<b>Total</b>	<b>0.32</b>	<b>1.94</b>	<b>2.86</b>	<b>0.04</b>	<b>0.15</b>	<b>3.25</b>	<b>8.55</b>
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Presented above are the bonuses earned in 2016 and paid in 2016 and 2017, which are based on the 2016 results. Will Kassoy's compensation excludes proceeds related to his equity interest and participation in the management bonus plan in relation to the earnout agreement for AdColony.

Other remuneration mentioned in the Norwegian Accounting Act § 7-31b has no relevance for the Company.

The Executive Team is included in the Company's employee pension scheme, which is a defined contribution plan.

There has been no compensation or other economic benefit provided to any member of the Executive Team or Board of Directors from the Company or any business owned by the Company, except that mentioned above.

There has been no significant additional compensation given to directors with regard to special services performed outside of their normal function.

Frode Jacobsen and Andreas Thome were no longer part of executive management following the sale of substantially all of the Consumer business on 4 November 2016.

Audun Wickstrand Iversen was elected as Chairman of the Board, and Frode Jacobsen as Board Member on 15 December 2016.

Christian Uribe left the company on 22 May 2016, and was replaced as an Employee representatives by Robert Mieczyslaw Tomaszewski.

Robert Mieczyslaw Tomaszewski, Erik Möller and Lis Malin Rundberg resigned as Employee Representatives following the sale of substantially all of the Consumer business on 4 November 2016.

After the sale of the Consumer business in November 2016, the Employee representative scheme was terminated following a vote held by existing employees of Opera Software ASA.



## Compensation to executive management 2015

[Numbers in \$ million]

	Remuneration	Salary	Bonus	Other compensation	Pension compensation	Benefit exercised options	Total compensation
<b>Executives</b>							
Lars Boilesen, CEO	0.50	0.09	0.04	0.07	0.21	0.92	
Erik C. Harrell, CFO/CSO	0.34	0.03	0.10	0.02	0.04	0.53	
Andreas Thome, CCO	0.27	0.07	0.01	0.03	0.04	0.42	
Will Kassoy, CEO Opera Mediaworks from December 2015	0.35	0.35		0.01	0.00	0.71	
Mahi de Silva, CEO Opera Mediaworks until December 2015	0.41	0.50		0.01	0.61	1.53	
Tove Selnes, CHRO, director until August 2015	0.18	0.06	0.01	0.02	0.04	0.32	
<b>The Board of Directors</b>							
Sverre Munck, Chairman	0.07					0.07	
Andre Christensen, Board Member	0.06					0.06	
Audun Wickstrand Iversen, Board Member	0.04				0.08	0.13	
Marianne Blystad, Board Member	0.04					0.04	
Sophie Charlotte Moatti, Board Member from June 2015	0.03					0.03	
Kari Stautland, Board Member until June 2015	0.02					0.02	
Christian Uribe, Board Member – Employee Representative	0.01	0.11	0.00	0.00	0.01	0.13	
Erik Möller, Board Member – Employee Representative	0.01	0.09			0.00	0.09	
Lis Malin Rundberg, Board Member – Employee Representative from June 2015	0.00	0.08			0.00	0.09	
Krystian Kolondra, Board Member – Employee Representative until June 2015	0.00	0.14	0.02	0.00	0.00	0.17	
<b>The Nomination Committee</b>							
Jakob Iqbal, Chairman	0.00					0.00	
Nils Foldal, Member	0.00					0.00	
Michael Tetzschner, Member until June 2015	0.00					0.00	
<b>Total</b>	<b>0.29</b>	<b>2.47</b>	<b>1.13</b>	<b>0.18</b>	<b>0.17</b>	<b>1.02</b>	<b>5.27</b>

Presented above are the bonuses earned in 2015 and paid in 2016, which are based on the 2015 results. Will Kassoy's compensation excludes proceeds related to his equity interest and participation in the management bonus plan in relation to the earnout agreement for AdColony.

Other remuneration mentioned in the Norwegian Accounting Act § 7-31b has no relevance for the Company.

The Executive Team is included in the Company's employee pension scheme, which is a defined contribution plan.

There has been no compensation or other economic benefit provided to any member of the Executive Team or Board of Directors from the Company or any business owned by the Company, except that mentioned above.

There has been no significant additional compensation given to directors with regard to special services performed outside of their normal function.

Sophie Charlotte Moatti was elected as a Board Member at the Annual General Meeting in June 2015.

Christian Uribe and Erik Möller were re-elected, and Lis Malin Rundberg was elected as Board members – Employee representatives in June 2015.

Kari Stautland was elected as a member of the Nomination Committee at the Annual General Meeting in June 2015.

## Options to executive management 2016

There are no existing agreements regarding the dispensation of loans or security deposits to key personnel, members of the board or their related parties.

The following table shows the number of options held by executive management.

	Opening balance	Issued options	Terminated options	Exercised options	Average exercise price – A (NOK)	Closing balance	Weighted average exercise price – B (NOK)	Weighted average lifetime – C	Value of outstanding options (\$ million)	IFRS 2 cost for the period (\$ million)
<i>[In thousands of options]</i>										
<b>Executives</b>										
Lars Boilesen, CEO	300	-	-	(300)	22.36	-	-	-	-	-
Erik C. Harrell, CFO/CSO until 15 April	613	-	-	(613)	35.06	-	-	-	-	0.06
Frode Jacobsen, CFO, from 15 April to 4 November	35	-	(28)	(8)	38.60	-	-	-	-	(0.03)
Andreas Thome, CCO until 4 November	520	-	-	(520)	36.46	-	-	-	-	0.06
Will Kassoy, CEO Opera Mediaworks	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1 468</b>		<b>(28)</b>	<b>(1 440)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.09</b>

A – average exercise price for options executed in the financial year

B – average exercise price for the number of options held by the end of the financial year

The table below shows option and RSU grants in 2016 and option and RSU costs in 2016

	Options Granted	2016 Cost	RSUs Granted	2016 Cost
<i>(in thousands of options and RSUs, cost in \$ million)</i>				
<b>Executives</b>				
Lars Boilesen, CEO				0.35
Erik C. Harrell, CFO/CSO until 15 April		0.06		0.07
Frode Jacobsen, CFO, from 15 April to 4 November		(0.03)		0.00
Andreas Thome, CCO until 4 November		0.06		(0.05)
Will Kassoy, CEO AdColony			329	1.18
<b>The Board of Directors</b>				
Sverre Munck, Chairman until 15 December				
Audun Wickstrand Iversen, Board Member until 15 December, Chairman from 15 December				
Frode Jacobsen, Board Member from 15 December, see above under executives				
Andre Christensen, Board Member				
Marianne Blystad, Board Member				
Sophie Charlotte Moatti, Board Member				
<b>The Nomination Committee</b>				
Jakob Iqbal, Chairman				
Kari Stautland, Member				
Nils Foldal, Member				
<b>Total</b>		<b>0.09</b>	<b>329</b>	<b>1.56</b>



#### Options to executive management 2015

There are no existing agreements regarding the dispensation of loans or security deposits to key personnel, members of the board or their related parties.

The following table shows the number of options held by executive management.

	Opening balance	Issued options	Terminated options	Exercised options	Average exercise price — A (NOK)	Closing balance Weighted average exercise price — B (NOK)	Weighted average lifetime — C	Value of outstanding options (\$ million)	IFRS 2 cost for the period (\$ million)
<i>[In thousands of options]</i>									
<b>Executives</b>									
Lars Boilesen, CEO	300					300	22.58	1.0	
Erik C. Harrell, CFO/CSO	613					613	34.61	1.1	0.21
Andreas Thome, CCO	520					520	36.69	0.8	0.21
Will Kassoy, CEO Opera Mediaworks from December 2015									
Mahi de Silva, CEO Opera Mediaworks until December 2015	44			44	28.2				0.1
Tove Selnes, CHRO, director until August 2015	80		25			55	32.61	0.67	0.1
<b>Total</b>	<b>1 556</b>		<b>25</b>	<b>44</b>		<b>1 488</b>		<b>2.99</b>	<b>0.45</b>

A — average exercise price for options executed in the financial year

B — average exercise price for the number of options held by the end of the financial year

#### The table below shows option and RSU grants in 2015, and option and RSU costs in 2015

	Options Granted	2015 Cost	RSUs Granted	2015 Cost
<i>(in thousands of options and RSUs, cost in \$ million)</i>				
<b>Executives</b>				
Lars Boilesen, CEO			78	0.35
Erik C. Harrell, CFO/CSO		0.21	20	0.07
Andreas Thome, CCO		0.21	20	0.07
Will Kassoy, CEO Opera Mediaworks from December 2015			18	0.06
Mahi de Silva, CEO Opera Mediaworks until December 2015		0.01	100	0.39
Tove Selnes, CHRO, director until August 2015		0.02		0.01

#### The Board of Directors

Sverre Munck, Chairman				
Andre Christensen, Board Member				
Audun Wickstrand Iversen, Board Member				
Marianne Blystad, Board Member				
Sophie Charlotte Moatti, Board Member from June 2015				
Kari Stautland, Board Member until June 2015		0.00		
Christian Uribe, Board Member – Employee Representative		0.02		
Erik Möller, Board Member – Employee Representative				
Lis Malin Rundberg, Board Member – Employee Representative from June 2015				
Krystian Kolondra, Board Member – Employee Representative until June 2015		0.09		

#### The Nomination Committee

Jakob Iqbal, Chairman				
Kari Stautland, Member from June 2015, see above under The Board of Directors				
Nils Foldal, Member				
Michael Tetzschner, Member until June 2015				

<b>Total</b>		<b>0.56</b>	<b>236</b>	<b>0.93</b>
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**Shares, options, RSUs owned by members of the Board and the Chief Executive Officer as of December 31, 2016**

[In thousands of shares, options and RSUs]

Name	Commission	Shares	Options	RSUs	Total	Weighted average strike price – options (NOK)	Weighted average strike price – RSUs (NOK)
Audun Wickstrand Iversen <sup>1)</sup>	Chairman				0		
Frode Jacobsen	Board Member	10			10		
Andre Christensen	Board Member				0		
Marianne Blystad <sup>2)</sup>	Board Member		18		18	8.40	
Sophie Charlotte Moatti	Board Member				0		
Lars Boilesen	CEO	164		119	283		0.02
		174	18	119	311		

<sup>1)</sup> Audun Wickstrand Iversen holds 50,000 shares through Naben AS, 100% owned by Iversen.

<sup>2)</sup> Marianne Blystad holds a total of 10 000 shares in Opera Software and, with family, owns 100% of the shares in the investment company Spencer Trading Inc, which holds 100,000 shares.

**Shares, options and RSUs owned by other leading employees as of December 31, 2016**

[In thousands of shares, options and RSUs]

Name	Title	Shares	Options	RSUs	Total	Weighted average strike price – options (NOK)	Weighted average strike price – RSUs (NOK)
Will Kassoy	CEO Opera Mediaworks	188		333	522		0.02
		188	0	333	522		

**Shares, options, RSUs owned by members of the Board and the Chief Executive Officer as of December 31, 2015**

[In thousands of shares, options and RSUs]

Name	Commission	Shares	Options	RSUs	Total	Weighted average strike price – options (NOK)	Weighted average strike price – RSUs (NOK)
Sverre Munck <sup>1)</sup>	Chairman	25			25		
Andre Christensen	Board Member				0		
Audun Wickstrand Iversen <sup>2)</sup>	Board Member	40			40		
Marianne Blystad <sup>3)</sup>	Board Member	110	30		140	23.40	
Sophie Charlotte Moatti	Board Member				0		
Christian Uribe <sup>4)</sup>	Board Member		25		25	64.74	
Lis Malin Rundberg <sup>4)</sup>	Board Member	2			2		
Erik Möller <sup>4)</sup>	Board Member	1			1		
Lars Boilesen	CEO	24	300	168	492	18.64	0.02
		202	355	168	725		

<sup>1)</sup> Sverre Munck, with family owns 100 % of Libras AS, which owns 25,000 shares.

<sup>2)</sup> Audun Wickstrand Iversen holds 40,000 shares through Naben AS, 100% owned by Iversen.

<sup>3)</sup> Marianne Blystad holds a total of 10 000 shares in Opera Software and, with family, owns 100% of the shares in the investment company Spencer Trading Inc, which holds 100,000 shares.

<sup>4)</sup> Employee representative

**Shares, options and RSUs owned by other leading employees as of December 31, 2015**

[In thousands of shares, options and RSUs]

Name	Title	Shares	Options	RSUs	Total	Weighted average strike price – options (NOK)	Weighted average strike price – RSUs (NOK)
Erik C. Harrell	CFO/CSO	104	613	35	752	32.36	0.02
Andreas Thome	CCO	12	520	35	567	34.73	0.02
Will Kassoy	CEO Opera Mediaworks from December 2015	189		18	207		0.02
Mahi de Silva	CEO Opera Mediaworks until December 2015			186	186		0.02
Tove Selnes	CHRO, director until August 2015		55	5	60	30.08	0.02
		305	1 188	279	1 772		

## Note 4. Other expenses, research and development costs, and other non-current assets

Other expenses [Numbers in \$ million]	2016	2015
Rent and other office expenses	9.9	8.1
Equipment	4.4	2.8
Audit, legal and other advisory services	6.3	6.7
Marketing expenses	6.0	6.9
Travel expenses	5.0	5.2
Hosting expenses, excl. depreciation cost	24.3	14.6
Other expenses	10.4	6.6
<b>Total</b>	<b>66.4</b>	<b>50.9</b>

**Research and development costs**

Engineering salaries are the primary expense incurred in terms of costs related to source code research, development, and maintenance. In 2016, \$26.9 million (2015: 24.4) in engineering salaries were expensed in the financial statement. \$19.2 million (2015: 16.0) in research and development costs were capitalized in 2016. Of which, \$6.0 million (2015: 6.8) relates to discontinued operations.. For additional information, please see notes 7 and 13.



## Note 5. Financial risk

### Currency risk

The majority of the financial risk that the Group is exposed to relates to currency risk. Both revenue and operating expenses are exposed to foreign exchange rate fluctuations. Please note that some revenue numbers are impacted by changes in local currencies which are the basis for invoicing of customers. These effects are not specified in the table below.

	2016		2015	
The following table shows the breakdown of revenue generation per currency: <i>[Numbers in \$ million]</i>	\$ million	%	\$ million	%
USD	444.1	82.7%	378.1	83.2%
BRL	40.4	7.5%	14.4	3.2%
GBP	11.7	2.2%	16.5	3.6%
TRY	9.8	1.8%	7.8	1.7%
EUR	6.7	1.2%	14.3	3.1%
Other	23.9	4.5%	23.1	5.1%
<b>Total</b>	<b>536.7</b>		<b>454.2</b>	

	2016		2015	
The following table shows the breakdown of operating expenses per currency: <i>[Numbers in \$ million]</i>	\$ million	%	\$ million	%
USD	411.3	75.6%	382.1	85.5%
BRL	29.2	5.4%	11.4	2.5%
GBP	25.7	4.7%	18.1	4.0%
EUR	24.7	4.5%	9.4	2.1%
TRY	11.7	2.1%	7.4	1.7%
NOK	10.6	2.0%	3.2	0.7%
Other	30.8	5.7%	15.6	3.5%
<b>Total</b>	<b>543.9</b>		<b>447.1</b>	

Conversion of the Group's revenues from foreign currencies into USD yields the following average exchange rates:

<i>[Numbers in \$ million]</i>	2016	2015
BRL	0.29	0.26
GBP	1.36	1.53
TRY	0.33	0.35
EUR	1.11	1.11

The table below shows the positive effect on the Group's revenue of a 10 % appreciation of certain functional currencies relative to the USD:

<i>[Numbers in \$ million]</i>	2016	2015
BRL	4.0	1.4
GBP	1.2	1.7
TRY	1.0	0.8
EUR	0.7	1.4

Conversely, a 10% depreciation of the functional currencies in the table above would have a similar negative effect on the Group's revenue.

The unrealized foreign exchange gain (loss) is estimated as the difference between exchange rates. These numbers are shown in the table below.

Realized / Unrealized FX gain (loss)	2016	2015
<i>[Numbers in \$ million]</i>		
Realized FX gain (loss)	(9.5)	(9.6)
Unrealized FX gain (loss)	21.6	(22.1)
Net FX gain (loss)	12.1	(31.7)

### Foreign exchange contracts

During 2016 and 2015, the Group did not use forward exchange contracts to hedge its currency risk, and Opera had not entered into any foreign exchange contracts as of December 31, 2016.

The distribution per currency of accounts receivables, as of December 31, is presented in the table below:

The numbers below are presented in local currencies (million)

	2016	% of gross AR	2015	% of gross AR
USD	89.5	75.5%	101.2	75.1%
BRL	21.1	5.5%	18.1	3.4%
TRY	18.7	4.5%	16.1	4.1%
GBP	3.4	3.6%	2.6	2.9%
Other	n/a	11.0%	n/a	14.5%

The accounts receivables are converted, as of December 31, at the following exchange rates:

	2016	2015
BRL	0.31	0.25
TRY	0.28	0.34
GBP	1.23	1.48
EUR	1.05	1.09

### Credit risk

Credit risk is the loss that the Group would suffer if a counterparty fails to perform its financial obligations. Credit risk related to accounts receivable is assessed to be limited due to the high number of customers in the Group's customer base. No single customer accounted for more than 10 % of the Group's revenue during the financial year. Further, the Group conducts most of its business with large global companies and has not experienced significant credit-related losses during this or previous financial years. Therefore, no further credit risk provision is considered to be required in excess of the normal provision for bad and doubtful receivables.

No customers have committed any collateral or other means to secure their outstanding debt.

The following shows the breakdown of gross accounts receivable per region:

<i>[Numbers in \$ million]</i>	2016	2015
EMEA	28.5	38.5
Americas	71.0	69.4
Asia Pacific	19.1	26.7
<b>Total</b>	<b>118.5</b>	<b>134.6</b>

Accounts receivable, as of December 31, by age, are as follows:

	2016		2015	
<i>[Numbers in \$ million]</i>	Gross receivables	Provision for bad debt	Gross receivables	Provision for bad debt
Not past due	35.6	0.1	61.2	0.1
Past due 0-30 days	31.5	0.1	25.7	0.1
Past due 31-60 days	14.2	0.1	16.1	0.1
Past due 61-90 days	7.2	0.1	7.5	0.0
More than 90 days	28.6	10.6	24.2	10.2
<b>Total</b>	<b>117.1</b>	<b>10.9</b>	<b>134.6</b>	<b>10.5</b>

Accounts receivables and other receivables <i>(Numbers in \$ million)</i>	2016	2015
Accounts receivable	106.2	124.2
Unbilled revenue	48.4	73.1
Other receivables	25.3	34.0
<b>Total</b>	<b>179.9</b>	<b>231.3</b>

Accounts receivable represent the part of receivables that is invoiced to customers but not yet paid. Unbilled revenue is revenue recognized in the year which was not invoiced to the customers at year end and which will be invoiced to customers subsequent to the balance sheet date.

Other receivables consists of net working capital and net debt adjustments related to the sale of the TV business, non-trade receivables, escrow payments and prepayments related to acquisitions. As of December 31, 2016, \$8.1 million consisted of net working capital and net debt adjustments related to the sale of the TV business, \$5.4 million (2015: 23.8) was related to escrow payments in connection with acquisitions, and \$5.5 million was a loan to Opera Software AS.

### Liquidity risk

Liquidity reserve <i>[Numbers in \$ million]</i>	12/31/2016	12/31/2015
Cash and cash equivalents		
Cash in hand and on deposit	219.5	97.7
Less restricted funds <sup>1)</sup>	2.9	8.2
<b>Unrestricted cash</b>	<b>216.6</b>	<b>89.5</b>
Unutilized credit facilities	50.0	100.0
Short-term overdraft facility	0.0	0.0
<b>Liquidity reserve</b>	<b>50.0</b>	<b>100.0</b>

<sup>1)</sup> Cash and cash equivalents of \$2.9 million were restricted assets as of December 31, 2016. Cash and cash equivalents of \$8.2 million were restricted assets as of December 31, 2015.



**Credit Facility***[Numbers in \$ million]*

	12/31/2016	12/31/2015
Long-term cash credit	150.0	250.0
Utilized	100.0	150.0
Short-term overdraft facility	0.0	0.0
Utilized	0.0	0.0

**Credit facility**

In March 2016, Opera signed an agreement with DNB Bank ASA to increase its secured credit facility of \$250 million (of which \$60 million was a 3 year term loan and \$190 million was a Revolving Credit Facility) by \$35 million to a total of \$285 million, split between a term loan of \$60 million and a Revolving Credit Facility of \$225 million.

In November 2016, Opera paid down \$185 million of the total credit facility of \$285 million, and signed an agreement with DNB Bank ASA reducing the secured credit facility to \$150 million (of which \$100 million is a term loan and \$50 million is a Revolving Credit Facility). As at 31 December 2016, \$100 million is outstanding. The revolving facility is undrawn, whilst the term loan is fully outstanding.

The facility will primarily be secured through a pledge in shares Opera TV, Opera Distribution AS, Opera Mediaworks Holding AS, and Performance and Privacy Ireland Ltd, as well as charges over trade receivables in the parent company and Opera TV AS.

The loan and credit facility have the following covenants: A) i) the Leverage Ratio to be below 2.00:1. B) the Equity Ratio to hold the minimum level of 30%. The Group is compliant as at December 31, 2016.

The Revolving Credit facility of \$50 million and the term loan of \$100 million are payable in March 2018, and bear an interest rate of LIBOR + 1.75% p.a. There is no utilization fee. On the undrawn portion of the facility, a commitment fee of 0.79 % p.a. will be paid. There are no installment payments due before maturity.

Based on LIBOR and amounts outstanding at 31.12.16, future interest payments will be approximately: 2017: 3.2, 2018: 0.8.

**Financial liabilities**

All financial liabilities other than the credit facility (described

above), and liabilities relating to contingent considerations (see note 11) are expected to be paid within 1 year of the balance sheet date.

**Deferred revenue**

Deferred revenue consists of prepaid license/royalty payments, prepaid maintenance and support, prepaid development fees and prepaid campaigns. Of the Group's total current liabilities, \$7.9 million (2015: 8.4) relates to deferred revenue, of which \$3.1 million (2015: 4.1) has been prepaid.

**Capital management**

The Group's policy has been to maintain a high equity-to-asset ratio and to maintain a solid capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group still possesses a business model that anticipates considerable cash flow in the future.

In 2016, the Board of Directors has used its authorization to purchase the treasury shares. Please see note 9 for more information.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**Cash pool agreement**

The Group has established cash pool systems. Under these agreements, Opera Software Financing Limited is the Group account holder and the other companies in the Group are sub-account holders or participants. The banks can offset balances in their favour against deposits, so that the net position represents the net balance between the bank and the Group account holder.

**Finance lease liabilities**

In 2016, the Group leased server equipment for hosting purpose under several finance leases. All finance lease assets were part of the sale, in 2016, of substantially all of the Consumer business. The Group did not, therefore, lease any assets as at 31 December 2016.

Minimum lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance lease liabilities are payable as follows:

<i>(Numbers in \$ million)</i>	Future minimum lease payments		Interest		Present value of minimum lease payments	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Finance lease liabilities						
Less than one year	0.0	6.2	0.0	0.3	0.0	5.9
Between one and five years	0.0	5.7	0.0	0.3	0.0	5.4
More than five years	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>11.9</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>	<b>11.3</b>

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Group will obtain ownership by the end of the lease term.

## Note 6. Tax

**Tax expense** *[Numbers in \$ million]*

	2016	2015
Current tax	7.5	(5.5)
Deferred tax	(9.1)	1.9
Tax expense related to change in tax rate	0.0	0.0
Deferred tax assets from previously unrecognized tax losses	0.0	0.0
Taxes on capital raising costs	0.0	0.0
Tax payable abroad	0.6	0.2
Writedown of tax assets	0.4	0.0
Too much/little tax booked previous year	(3.0)	0.1
<b>Total Continued Operations</b>	<b>(3.5)</b>	<b>(3.4)</b>
Tax expense discontinued operations	8.5	25.8

**Tax payable** *[Numbers in \$ million]*

	2016	2015
Current tax	7.5	29.7
Tax payable abroad	0.0	1.0
Too much/little tax booked previous year	0.8	(0.0)
Tax settlement previous year	0.0	0.0
Prepaid tax subsidiaries/branches	-12.6	(15.0)
Taxes on capital raising costs	0.0	(0.2)
Withholding tax paid to a foreign country	0.3	(0.2)
Tax effect on losses from sales of own shares*	0.0	0.0
Effect of FX differences	0.0	(0.7)
Withholding tax utilized	0.0	0.0
<b>Total</b>	<b>(4.0)</b>	<b>14.5</b>

\*Booked against equity.

**Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

<i>(Numbers in \$ million)</i>	ASSETS		LIABILITIES		NET	
	2016	2015	2016	2015	2016	2015
Inventory, office machinery, etc.	(9.8)	(12.8)	22.1	32.5	12.3	19.7
Accounts receivables	(0.9)	(2.8)	0.0	0.0	(0.9)	(2.8)
Other liabilities	2.5	(14.8)	0.0	0.8	2.5	(14.1)
Tax value of loss carry-forwards utilized	(16.9)	(16.8)	0.0	0.0	(16.9)	(16.8)
Deferred taxes/ (tax assets)	(25.1)	(47.1)	22.1	33.2	(3.0)	(13.8)
Set-off of tax	22.1	33.2	(22.1)	(33.2)	0.0	0.0
<b>Net deferred taxes / (tax assets)</b>	<b>(3.0)</b>	<b>(13.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.0)</b>	<b>(13.8)</b>

Deferred tax assets and deferred tax liabilities pertain to several different tax jurisdictions, some of which are offset in the Consolidated statement of financial position.



#### Changes in net deferred tax assets/liabilities

Movement in temporary differences during the year

	Balance 1/1/15	Posted to statement of comprehensive income	Posted directly to the equity	Acquisitions and disposals (note 8)	Balance 12/31/15
<i>[Numbers in \$ million]</i>					
Inventory, office machinery, etc.	19.0	(15.1)	(16.7)	0.0	(12.7)
Accounts receivables	(2.2)	(0.5)	(0.0)	0.0	(2.8)
Liabilities	(34.8)	18.3	(11.6)	14.0	(14.1)
Tax value of loss carry-forwards utilized	(8.9)	(9.9)	34.5	0.0	15.7
<b>Deferred taxes / (tax assets)</b>	<b>(27.0)</b>	<b>(7.1)</b>	<b>6.2</b>	<b>14.0</b>	<b>(13.8)</b>

	Balance 1/1/16	Posted to statement of comprehensive income	Posted directly to the equity	Acquisitions and disposals (note 8)	Balance 12/31/16
<i>[Numbers in \$ million]</i>					
Inventory, office machinery, etc.	(12.7)	(7.4)			(20.1)
Accounts receivables	(2.8)	1.9			(0.9)
Liabilities	(14.1)	16.0	0.5		2.5
Tax value of loss carry-forwards utilized	15.7	(0.2)			15.5
<b>Net deferred taxes / (tax assets)</b>	<b>(13.8)</b>	<b>10.3</b>	<b>0.5</b>	<b>0.0</b>	<b>(3.0)</b>

It is Opera's opinion that the deferred tax asset can be utilized in future periods. Its measure is based on the expected and estimated future income. Consequently, Opera has capitalized the deferred tax asset. All US entities are included in a US consolidated tax group.

Change in deferred tax asset directly posted against the equity capital <i>[Numbers in \$ million]</i>	2016	2015
Changes due to translation differences	0.0	3.0
Other changes	0.5	3.2
<b>Total deferred taxes posted directly against the equity</b>	<b>0.5</b>	<b>6.2</b>

Reconciliation of effective tax rate <i>[Numbers in \$ million]</i>	2016	2015
Profit before tax	(66.6)	(57.1)
Income tax using the domestic corporate tax rate	25.0 %	(16.7)
Overbooked taxes, previous year	4.5 %	(3.0)
Tax paid to a foreign country	-0.9 %	0.6
Effect of change in tax rates	0.0 %	0.0
Effect of tax rates outside Norway different from 24/25%	4.5 %	(3.0)
Taxes on other permanent differences	-27.7 %	18.5
Deferred tax assets from previously unrecognized tax losses	0.0 %	(0.0)
<b>Total tax expense for the year</b>	<b>5.3 %</b>	<b>(3.5)</b>

#### Permanent differences

Permanent differences include non-deductible costs and share-based remuneration.

## Note 7. Property, plant and equipment

	Cost rented premises	Machinery and equipment	Fixtures and fittings	Development	Other intangible assets	2016 Total	2015 Total
<i>[Numbers in \$ million]</i>							
<b>Acquisition cost</b>							
Acquisition cost as of 1/1/16	3.5	56.9	2.3	32.3	195.1	290.2	217.6
Acquisitions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	54.7
Additions	1.4	9.4	0.8	19.2	3.3	33.9	35.2
Discontinued operations	(3.0)	(50.0)	(1.2)	(22.2)	(29.5)	(105.9)	0.0
Transfer of assets to discontinued operations	0.0	(0.0)	(0.0)	0.0	0.0	(0.1)	0.0
Disposal	(0.1)	(6.3)	(0.0)	(0.5)	(0.1)	(7.1)	(1.6)
Translation differences	0.1	1.6	(0.2)	0.4	3.3	5.3	(15.7)
<b>Acquisition cost as of 12/31/16</b>	<b>1.8</b>	<b>11.6</b>	<b>1.7</b>	<b>29.2</b>	<b>172.1</b>	<b>216.4</b>	<b>290.2</b>
<b>Depreciation and impairment losses as of 1/1/16</b>	<b>1.0</b>	<b>33.2</b>	<b>1.0</b>	<b>11.0</b>	<b>86.4</b>	<b>132.7</b>	<b>80.3</b>
Acquisitions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	1.5
Discontinued operations	(1.0)	(37.5)	(0.6)	(9.4)	(19.7)	(68.3)	0.0
Transfer of assets to discontinued operations	0.0	0.0	(0.0)	0.0	(0.0)	(0.1)	0.0
Depreciation and impairment losses	0.2	1.3	0.3	8.0	37.2	47.0	54.2
Disposal	(0.1)	(0.9)	0.0	0.0	(0.0)	(1.0)	(0.4)
Currency differences	0.0	2.3	(0.1)	(1.1)	0.5	1.6	(3.1)
<b>Accumulated depreciation and impairment losses as of 12/31/16</b>	<b>0.5</b>	<b>5.8</b>	<b>0.8</b>	<b>12.7</b>	<b>105.1</b>	<b>124.9</b>	<b>132.7</b>
<b>Net book value as of 12/31/16</b>	<b>1.3</b>	<b>5.8</b>	<b>0.9</b>	<b>16.5</b>	<b>67.0</b>	<b>91.6</b>	<b>157.5</b>
<b>Depreciation for the year</b>	<b>0.2</b>	<b>1.3</b>	<b>0.3</b>	<b>6.4</b>	<b>37.1</b>	<b>45.3</b>	<b>54.2</b>
<b>Impairment losses for the year</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.5</b>	<b>0.1</b>	<b>1.6</b>	<b>0.0</b>
<b>Depreciation and impairment losses from discontinued operations, this year</b>	<b>0.4</b>	<b>7.4</b>	<b>0.2</b>	<b>4.2</b>	<b>0.8</b>	<b>12.9</b>	<b>0.0</b>
Useful life	Up to 6 years	Up to 10 years	Up to 5 years	Up to 4 years	Up to 7 years		
Depreciation plan	Linear	Linear	Linear	Linear	Linear		

Development is internally developed intangible asset.

Please see note 8 for asset additions related to business combinations.

#### Operating leases

The most significant agreements relate to the rental of premises in United States and Norway.

The lease agreement, according to IAS 17, is considered an operating lease.

	2016	2015
<i>[Numbers in \$ million]</i>		
Leasing costs expensed	6.4	5.2
<b>Non-terminable operating leases due in:</b>	<b>2016</b>	<b>2015</b>
Less than one year	4.5	5.8
Between one to five years	9.8	10.3
More than five years	0.1	0.0
<b>Total</b>	<b>14.3</b>	<b>16.1</b>



## Note 8. Goodwill and impairment testing, and investments in associated companies

Goodwill [Numbers in \$ million]	Other <sup>1)</sup>	AdMarvel	Mobile Theory 4th Screen Advertising	Handster	Opera Mediaworks Performance	Hunt	Apprupt	AdColony	Advine	Mobilike	Bemobi	Adquota	Total
<b>Acquisition cost</b>													
Acquisition cost as of 1/1/15	69.7	13.2	34.4	11.3	6.7	14.4	5.6	10.9	183.2	0.6	-	-	350.3
Acquisitions through business combinations	20.0	-	-	-	-	-	-	-	1.4	-	4.4	55.6	82.1
FX adjustment	(1.8)	-	-	(0.7)	-	-	-	(2.4)	0.0	(0.1)	(0.3)	(6.4)	(11.7)
<b>Acquisition cost as of 12/31/15</b>	<b>88.0</b>	<b>13.2</b>	<b>34.4</b>	<b>10.6</b>	<b>6.7</b>	<b>14.4</b>	<b>5.6</b>	<b>8.5</b>	<b>184.6</b>	<b>0.5</b>	<b>4.1</b>	<b>49.2</b>	<b>420.7</b>
<b>Accumulated impairment losses</b>													
Accumulated impairment losses as of 1/1/15	31.8	-	-	-	-	-	-	-	-	-	-	-	31.8
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	0.0
FX adjustment	-	-	-	-	-	-	-	-	-	-	-	-	0.0
<b>Accumulated impairment losses as of 12/31/15</b>	<b>31.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>31.8</b>
<b>Carrying amount</b>													
<b>As of December 31 2015</b>	<b>57.0</b>	<b>13.2</b>	<b>34.4</b>	<b>10.6</b>	<b>6.7</b>	<b>14.4</b>	<b>5.6</b>	<b>8.5</b>	<b>184.6</b>	<b>0.5</b>	<b>4.1</b>	<b>49.2</b>	<b>389.7</b>

<sup>1)</sup> "Other" comprises goodwill from the following business units: Consumer(ex. Apps and Games) and Tech Licensing, including the Hern Labs, Netview Technology, Opera Software Poland, Skyfire Labs and SurfEasy acquisitions.

	Other <sup>1)</sup>	AdMarvel	Mobile Theory	4th Screen Advertising	Handster	Hunt	Apprupt	AdColony	Advine	Mobilike	Bemobi	Adquota	Total
Acquisition cost													
Acquisition cost as of 1/1/16	88.0	13.2	34.4	10.6	6.7	5.6	8.5	199.0	0.5	4.1	49.2	0.7	420.7
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-	-	0.0
FX adjustment	0.3	-	-	(1.8)	-	0.1	(0.3)	-	0.1	(0.7)	10.7	(0.0)	8.4
Acquisition cost as of 12/31/16	88.3	13.2	34.4	8.9	6.7	5.8	8.2	199.0	0.6	3.4	59.9	0.7	429.1
Accumulated impairment losses													
Accumulated impairment losses as of 1/1/16	31.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.0
Impairment losses	(0.1)	-	-	9.0	3.1	5.9	-	-	0.6	-	-	0.7	19.0
FX adjustment	1.3	-	-	(0.1)	-	(0.1)	-	-	0.0	-	-	(0.0)	1.1
Derecognized on disposal of Disc. Operations	55.8	-	-	-	-	-	-	-	-	-	-	-	55.8
Accumulated impairment losses as of 12/31/16	87.9	0.0	0.0	8.9	3.1	5.8	0.0	0.0	0.6	0.0	0.0	0.7	106.9
Carrying amount													
As of December 31 2016	0.4	13.2	34.4	0.0	3.6	0.0	8.2	199.0	0.0	3.4	59.9	0.0	322.2

<sup>1)</sup> "Other" comprises goodwill from the Consumer and TV businesses that were sold by the Group in 2016, and the SurfEasy and Skyfire businesses that are part of Continued operations.



### Impairment testing

Goodwill acquired through business combinations has been allocated to individual cash-generating units as presented in the reconciliation above.

Opera has carried out impairment testing as of December 31, 2016, according to IAS 36. Discounted cash flow models are applied to determine the value in use for the cash-generating units with goodwill. Management has projected cash flows based on financial forecasts and strategy plans covering a three year period. Beyond the explicit forecast period, the cash flows are extrapolated using constant nominal growth rates.

### Impairment loss

Based on the impairment testing, the Group recognized the following impairment losses.

[Numbers in \$ million]	Impairment loss
Goodwill in the non-US part of the Mobile Advertising segment	14.5
Intangible assets in the non-US part of the Mobile Advertising segment	1.4
Goodwill in the Apps & Games segment (non-Bemobi)	3.1
<b>Total</b>	<b>19.0</b>

The impairment loss is primarily a consequence of lower growth expectations in parts of the non-US Mobile Advertising business. In particular, this part of the business has seen programmatic buying take a much larger share of the traditional brand business than has been the case in the US part of the Mobile Advertising business. In the Apps and Games business, the impairment loss is a consequence of an expected decrease in Apps & Games revenue generated from the Opera Mobile Store (OMS) platform that serves feature phones, combined with the expected shift in contribution from the OMS platform to the Bemobi platform that serves smart phones. This is reflected in a nominal long term growth rate of -50%, as per the table below.

### Key assumptions

Key assumptions used in the calculation of value in use are Revenue and EBITDA margin growth rates, Nominal growth rate in terminal value, and discount rates. For the parts of the non-US Mobile Advertising business where impairment losses have been recognised, the following key assumptions were used in determining the value in use:

	in %	
	Non-US Mobile Advertising	Apps & Games (non-Bemobi)
Revenue growth (average) <sup>1</sup>	22.5	42.0
EBITDA Margin <sup>2</sup>	19.9	7.5
Discount rate after tax	10.5 – 21.6	9.9
Discount rate before tax	13.6 – 31.7	11.3
Nominal growth rate in terminal value	2.0	-50.0

<sup>1)</sup> Represents the compound annual growth rate during 2017–2019 (until the terminal year).

<sup>2)</sup> Represents the average percentage point increase in EBITDA margin during 2017–2019.

### Growth rates

The expected growth rates for a cash-generating unit is derived from the level experienced over the last few years to the long-term growth level in the market the entity operates. The growth rates used to extrapolate cash flow projections beyond the explicit forecast period are based on management's past experience, and assumptions in terms of expectations for the market development in which the entity operates. The growth rates used to extrapolate cash flows in the terminal year are not higher than the expected long-term growth in the market in which the entity operates.

### Average EBITDA margin

The EBITDA margin represents the operating margin before depreciation and amortisation and is estimated based on the current margin level and expected future market development.

### Discount rates

Discount rates are based on Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology. The WACC calculations are based on a Global-Local approach, implying that a global risk free rate is applied as a basis (US 20Y Government bond). The inflation difference between the respective country of the specific CGU and the US is added to reflect the local risk free rate. Country risk premiums in addition to the US market risk premium are applied to correct for local risk. The discount rates also take into account gearing, the corporate tax rate, and the equity beta.

The following discount rate ranges were used in determining the value in use:

Segment	AdColony Mobile Advertising	Bemobi Apps & Games	AdMarvel Mobile Advertising	Mobile Theory Mobile Advertising	4th Screen Mobile Advertising	Apprapt Mobile Advertising	Mobilike Mobile Advertising	Handster Apps & Games	Hunt Mobile Advertising	SurfEasy Performance & Privacy	Adquota Mobile Advertising	Advine Mobile Advertising
	USA	Brazil	USA	USA	UK	Germany	Turkey	Ireland <sup>1)</sup>	LATAM	Canada	NO/SE	S.Africa
Post-tax in %	10.9	18.7	10.9	10.9	11.4	10.5	20.6	9.9	21.6	10.8	10.5	17.0
Pre-tax in %	18.1	28.4	18.1	18.1	14.3	15.0	25.8	11.3	31.7	14.8	13.6	23.7

<sup>1)</sup> Argentina, Brazil, Mexico, Uruguay (average of these country specific discount rates was used)

<sup>2)</sup> Average of these country specific discount rates was used

### Sensitivity analysis

#### US Mobile Advertising business (Mobile Advertising segment)

Goodwill and intangible assets relating to the US Mobile Advertising business represents approximately 90% of the total recognized goodwill and intangible assets in the Mobile Advertising segment (prior to the impairment loss recognized in 2016). For this combined business the following changes in forecasts and key assumptions, in isolation, would result in the value in use amount being approximately equal to the carrying amount. Any changes beyond those described below may, therefore, lead to an impairment loss:

- Increase in 500 basis points in the discount rate after tax
- Decrease in 35% in projected future cash flows for the 3 year forecast period

#### Bemobi (Apps & Games segment)

Goodwill and intangible assets relating to the Bemobi business represents approximately 98% of the total recognized goodwill and intangible assets related to the Apps & Games segment (prior to the impairment loss recognized in 2016). For this combined business the following changes in forecasts and key assumptions, in isolation, would result in the value in use amount being approximately equal to the carrying amount. Any changes beyond those described below may, therefore, lead to an impairment loss:

- Increase in 300 points in the discount rate after tax
- Decrease in 25% in projected future cash flows for the 3 year forecast period

#### Investments in associated companies

Opera finalized an agreement on December 19, 2016 to sell its TV business ("Opera TV") for \$80 million and an approximately 27% equity interest in Last Lion Ltd, through preferred shares, which indirectly owns Opera TV (the "Transaction"). Opera recognized a gain of \$71.0 million on the Transaction which is not taxable.

#### Information regarding Last Lion Holdings Ltd [Numbers in \$ million]

	2016	2015
Revenue	32.8	N/A
EBIT	3.3	N/A
Net profit (loss)	6.5	N/A
Assets	129.1	N/A
Non-current liabilities	85.1	N/A
Current liabilities	9.6	N/A
Equity	34.5	N/A
Opera's share of equity	9.3	N/A

The numbers above reflect the restated and proforma FY 2016 numbers for the TV business before Last Lion Holdings Ltd acquired a majority stake in the TV business.

#### Investment in associate

The investment in Last Lion Holdings LTD is recognized using the equity method. Opera has recognized the following fair value amount as Other investments in the statement of financial position:

Carrying value [Numbers in \$ million]	2016	2015
Investment (Booked value January 1)	0.0	N/A
Investment during the financial year	9.6	N/A
FX adjustment	-	N/A
Share of the profit (loss)	(0.1)	N/A
Elimination	-	N/A
<b>Total</b>	<b>9.5</b>	<b>N/A</b>

#### Other shares

Opera Software ASA owns 20% of the European Center for Information and Communication Technologies — EICT GmbH, and 1.1% of the shares in Alliance Venture Spring AS. The recognized value of the shares is \$0.2 million. The market values of the companies are unknown. The EICT is a public/private partnership of scientific institutions, institutes of applied research and leading industrial companies. The strategic innovation partnership pools and specifically links research and development activities in industry and science to information and communication technologies. Alliance Venture Spring is a Norwegian venture capital firm investing in early stage technology companies.



## Note 9. Shares and shareholder information

As of 31 December 2016, Opera had a share capital of NOK 2,989,548.58 divided into 149,477,429 ordinary shares with a nominal value of NOK 0.02 each. All ordinary shares have equal voting rights and the right to receive dividends.

During 2016 and in accordance with the proxy given by the Company's Annual General Meeting on 28 June 2016, the Board of Directors of Opera Software ASA (the "Company") decided to carry out a share buyback program of up to 14,664,700 shares, corresponding to up to approximately 10% of the issued shares in the Company. The shares purchased through the share buyback program may be used for prospective reductions of the share capital and to fulfill obligations under incentive schemes approved by the shareholders.

The share buyback program, was effective from 28 November 2016 and ends at the latest on the day of the Company's Annual General Meeting in 2017.

During 2016, the Group purchased 1,383,178 (2015: 0) treasury shares for \$6.7 million (2015: 0) and sold 0 treasury shares.

In 2015, the Group sold 1,158,491 treasury shares for \$1.3

million. As of December 31, 2016, the Group owned 1,763,762 treasury shares (2015: 380,584).

During 2016, Opera issued 3,841,344 (2015: 0) ordinary shares related to the incentive program, 0 (2015: 2,434,472) ordinary shares related to business combinations, and 0 (2015: 0) ordinary shares related to an equity increase.

### Dividends

In 2016, Opera paid out ordinary dividends of NOK 15 per share, around NOK 2.2 billion in total (approximately \$260.6 million). The dividend was paid to those who were shareholders at end of trading on December 15, 2016, and the shares traded exclusive of dividend rights as of December 16, 2016.

In 2015, Opera paid out ordinary dividends of NOK 0.26 per share, around NOK 37.9 million in total (approximately \$4.8 million). The dividend was paid to those who were shareholders at end of trading on June 2, 2015.

### Ownership structure

The 20 biggest shareholders of Opera Software ASA shares as of December 31, 2016, were as follows:

<i>[In thousands of shares]</i>	Shares	Owner's share	Voting share
FOLKETRYGDFONDET	15 021	10.05%	10.05%
LUDVIG LORENTZEN AS	12 000	8.03%	8.03%
SUNDT AS	8 501	5.69%	5.69%
FERD AS	7 855	5.25%	5.25%
AREPO AS	7 437	4.98%	4.98%
LAZARD FRÈRES BANQUE	4 050	2.71%	2.71%
GEVERAN TRADING CO LTD	3 928	2.63%	2.63%
VERDIPAPIRFONDET DNB NORGE (IV)	3 623	2.42%	2.42%
VERDIPAPIRFONDET DNB NORDIC TECHNO	3 200	2.14%	2.14%
CLEARSTREAM BANKING S.A.	3 118	2.09%	2.09%
VPF NORDEA NORGE VERDI	2 365	1.58%	1.58%
VPF NORDEA CAPITAL	2 106	1.41%	1.41%
DNB LIVSFORSIKRING ASA	2 066	1.38%	1.38%
THE BANK OF NEW YORK MELLON N.V.	2 045	1.37%	1.37%
SKANDINAVISKA ENSKILDA BANKEN AB	1 883	1.26%	1.26%
EUROCLEAR BANK N.V.	1 733	1.16%	1.16%
OPERA SOFTWARE ASA	1 691	1.13%	1.13%
STOREBRAND NORGE I VERDIPAPIRFOND	1 418	0.95%	0.95%
KLP AKSJENORGE	1 375	0.92%	0.92%
KLP AKSJENORGE INDEKS	1 358	0.91%	0.91%
Sum	86 774	58.05%	58.05%
Other shareholders	62 704	41.95%	41.95%
<b>Total numbers of shares</b>	<b>149 477</b>	<b>100.00%</b>	<b>100.00%</b>

The Board of Directors proposes that the 2017 Annual General Meeting does not approve any dividend payment.

## Note 10. Accounts receivable, other receivables, accounts payables, other payables and provisions

Financial assets and liabilities mainly comprise short-term items (non-interest-bearing). Based on this assessment, management does not consider the Group to have financial assets or liabilities with potentially significant differences between net book value and fair value.

### Fair values of financial assets and financial liabilities as of December 31, 2016

The following table shows the carrying amounts and fair values of financial liabilities (level 3 in the fair value hierarchy). It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>[Numbers in \$ million]</i>	CARRYING AMOUNT			FAIR VALUE				
	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value</b>								
Provisions	79.7	0.0	0.0	79.7	0.0	0.0	79.7	79.7
<b>Total financial liabilities measured at fair value</b>	<b>79.7</b>	<b>0.0</b>	<b>0.0</b>	<b>79.7</b>	<b>0.0</b>	<b>0.0</b>	<b>79.7</b>	<b>79.7</b>

For more information on fair value of provisions please see note 11.

Other investments

Other non-current assets

Financial assets and liabilities mainly comprise short-term items (non-interest-bearing). Based on this assessment, management does not consider the Group to have financial assets or liabilities with potentially significant differences between net book value and fair value.

### Fair values of financial assets and financial liabilities as of December 31, 2015

The following table shows the carrying amounts and fair values of financial assets and financial liabilities (level 3 in the fair value hierarchy). It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>[Numbers in \$ million]</i>	CARRYING AMOUNT			FAIR VALUE				
	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value</b>								
Provisions	203.6	0.0	0.0	203.6	0.0	0.0	203.6	203.6
<b>Total financial liabilities measured at fair value</b>	<b>203.6</b>	<b>0.0</b>	<b>0.0</b>	<b>203.6</b>	<b>0.0</b>	<b>0.0</b>	<b>203.6</b>	<b>203.6</b>

For more information on fair value of provisions please see note 11.

Other investments

Other non-current assets



## Note 11. Contingent liabilities and provisions

### Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	Discounted cash flows	*Forecasted annual and half-yearly revenue	The estimated fair value would increase (decrease) if:
		*Forecasted EBITDA	*The annual and half-yearly revenue growth rate were higher (lower),
		*Risk-adjusted discount rate	* The EBITDA margin were higher (lower); or * The risk-adjusted discount rate were lower (higher)
			Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.

### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balances for Level 3 fair values.

[Numbers in \$ million]	Note	Contingent consideration
<b>Balance as of 1/1/2015</b>		240.3
Assumed in a business combination	8	73.4
Paid	8	(134.3)
Finance cost	8	58.4
Translation differences	8	(34.2)
OCI	8	0.0
<b>Balance as of 12/31/2015</b>		203.6
Assumed in a business combination	8	0.0
Paid	8	(169.0)
Finance cost	8	31.0
Translation differences	8	14.1
OCI	8	0.0
<b>Balance as of 12/31/2016</b>		79.7

### Earnout payments made in 2015

[Numbers in \$ million]	AdColony	Bemobi	Individually immaterial	Total
With cash flow effect				
Q1	42.2			42.2
Q2			15.0	15.0
Q3	20.1			20.1
Q4				0.0
<b>Total</b>	<b>62.3</b>	<b>0.0</b>	<b>15.0</b>	<b>77.3</b>
With no cash flow effect (released from escrow)				
Q1	6.7		1.0	7.7
Q2	33.3		1.0	34.3
Q3				0.0
Q4	15.0			15.0
<b>Total</b>	<b>55.0</b>	<b>0.0</b>	<b>2.0</b>	<b>57.0</b>

Of the \$33.3 million paid to AdColony in Q2, \$30.0 million was paid in shares and \$3.3 million was released from escrow.

### Earnout payments made in 2016

[Numbers in \$ million]	AdColony	Bemobi	Individually immaterial	Total
With cash flow effect				
Q1	109.6	4.1	0.8	114.6
Q2			6.5	6.5
Q3		5.2	9.4	14.6
Q4	15.2			15.2
<b>Total</b>	<b>124.9</b>	<b>9.2</b>	<b>16.8</b>	<b>150.9</b>
With no cash flow effect (released from escrow)				
Q1			4.1	4.1
Q2			0.5	0.5
Q3		10.0		10.0
Q4		3.5		3.5
<b>Total</b>	<b>0.0</b>	<b>13.5</b>	<b>4.6</b>	<b>18.1</b>

### Estimated payments

[Numbers in \$ million]	AdColony	Bemobi	Individually immaterial	Total
Jan-17	3.1			3.1
Apr-17		8.9	7.9	16.8
Sep-17		7.8		7.8
Apr-18		12.0	7.2	19.2
Sep-18		9.7		9.7
Apr-19		14.4		14.4
Sep-19		12.3		12.3
Apr-20		16.1		16.1
<b>Total</b>	<b>3.1</b>	<b>81.3</b>	<b>15.1</b>	<b>99.4</b>

The table above shows the estimated future payments. The expected future payments are estimated by considering the possible scenarios of forecast revenue and EBIT, the amount to be paid under each scenario, and the probability of each scenario.

### Contractual maximum payments

[Numbers in \$ million]	AdColony	Bemobi	Individually immaterial	Total
Jan-17	3.1			3.1
Apr-17		10.3	7.9	18.2
Sep-17		7.8		7.8
Apr-18		16.7	7.2	23.9
Sep-18		10.4		10.4
Apr-19		18.2		18.2
Sep-19		13.1		13.1
Apr-20		10.7		10.7
<b>Total</b>	<b>3.1</b>	<b>87.3</b>	<b>15.1</b>	<b>105.4</b>

The table above shows the estimated maximum payments, including the estimated “upside”. Certain earnout agreements have a payment structure which allow for an “upside” payment, e.g. an additional 50% payment of actual EBIT above target EBIT. Opera has estimated the “upside” payments and included these in the estimated maximum payments. If there is even stronger incremental financial performance, due to the structure of the earnout agreements, the payments can be even higher.



**Bemobi earnout amendment**

In Q4 2016, Opera signed an amendment to the earnout agreement with the former shareholders of Bemobi. The amendment adjusts the “Synergy Earnout” part of the original agreement to more comprehensively cover the entire International Apps & Games business, as opposed to limiting it only to the “Synergy Revenue (revenue from Bemobi subscription offering outside of LATAM) and EBITDA”, and to expand it through 2019, and is now referred to as the “International Earnout”. No change has been made to the “Standalone (LATAM)” portion of the Earnout. The maximum achievement for this portion of the Earnout remains at \$18 million as per the original agreement. The International Earnout will be calculated and paid on an annual, calendar year, basis. The background for this amendment is that Opera and the former shareholders of Bemobi agree that it makes commercial sense to transform the Synergy Earnout to more comprehensively cover the international (outside LATAM) part of the Apps & Games segment, and to expand

it through 2019. The former shareholders will be incentivized to further the success of the entire Apps & Games segment rather than simply the success of the Bemobi subscription offering. The maximum contractual remaining payment for the total earnout is \$87.3 million. Contractual maximum payments are calculated by presenting the maximum payment for each year limited by an overall cap for 2019.

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant assumptions (forecast annual revenue and forecast EBIT) would, holding the other assumptions constant 1), have the following effects on the net present value and the fair value of the contingent consideration.

<sup>1)</sup> Generally, a change in the annual revenue is accompanied by a directionally similar change in EBIT.

Effect on Net present value <i>[Numbers in \$ million]</i>	AdColony	Bemobi	Individually immaterial
Revenue (10% increase)	N/A	5.0	0.2
Revenue (10% decrease)	N/A	(5.2)	(4.2)
EBIT (5% increase)	N/A	3.2	0.3
EBIT (5% decrease)	N/A	(13.0)	(1.5)

Effect on Fair value <i>[Numbers in \$ million]</i>	AdColony	Bemobi	Individually immaterial
Revenue (10% increase)	N/A	6.4	0.2
Revenue (10% decrease)	N/A	(6.6)	(4.8)
EBIT (5% increase)	N/A	4.1	0.3
EBIT (5% decrease)	N/A	(17.1)	(1.5)

**Note 12. Restructuring and impairment cost**

During 2016, Opera recognized restructuring costs in connection with a strategic cost reduction that will better align costs with revenues, and for legal and other costs related to business combinations.

Costs for restructuring the business <i>[Numbers in \$ million]</i>	2016	2015
Salary restructuring cost	4.5	2.1
Option restructuring cost	(0.2)	0.0
Impairment cost	19.8	0.0
Legal fees related to business combinations	0.0	4.4
Other restructuring cost	0.1	0.0
<b>Total</b>	<b>24.1</b>	<b>6.6</b>

See note 8 for further information regarding impairment cost

As of December 31, 2016, \$0.7 million (2015: 0.9) was not paid and was recognized as other short-term liabilities in the consolidated statement of financial position.

**Note 13. Accounting estimates and judgments**

Management has evaluated the development, selection and disclosure of the Group’s critical accounting policies and estimates and the application of these policies and estimates.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Key sources of estimation uncertainty and critical accounting judgments in applying the Group’s accounting policies**

**Contingent considerations**

The Group has entered into earnout agreements as specified in notes 8 and note 11. Opera has in note 11 given a detailed analysis of how the contingent considerations have been calculated. Changes in the chosen assumptions can have a significant impact on the size of the earnout cost.

**Stock-based compensation**

The options and RSUs are recognized in accordance with IFRS 2. The option and RSU costs are calculated on the basis of various assumptions, such as volatility, interest level, dividend and employee turnover. For RSUs, estimates of achieved performance targets are also included. The chosen assumptions can have a significant impact on the size of the option and RSU costs. The assumptions are given in note 3.

**Income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax issues based on best estimate of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

**Estimated fair value of cash generating unit for impairment testing of goodwill**

In accordance with IAS 36, the Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on a value-in-use calculation. This calculation requires the use of estimates and is based on assumptions that are consistent with the market valuation of the Group.

**Development costs**

Cost of building new features, together with significant and pervasive improvements of core platforms, provided that the significant and pervasive improvements of parts or main components of core platforms will generate probable future economic benefits, are capitalized as development costs and amortized on a straight-line, 3-year basis.

A significant portion of the work that engineering performs is related to the implementation of the ongoing updates that are required to maintain the platforms’ functionality. Examples of updates include “bug fixes”, updates made to comply with changes in laws and regulations, and updates made to keep pace with the latest trends. These costs are expensed as maintenance costs.

**Note 14. Related parties**

In 2016, except for earnout payments to former shareholders of acquired companies, the Group did not engage in any related party transactions, including with any members of the Board of Directors or the Executive Team. See note 11 for further significant information.

Transactions with subsidiaries have been eliminated on consolidation and do not represent related party transactions.

**Transactions with key management personnel**

Members of the Board of Directors and the Executive Team

of the Group and their immediate relatives controlled 0.2% of the Group’s voting share as per December 31, 2016. The Company has not provided any loans to directors or Executive Team members as of December 31, 2016.

Executive Team members also participate in the Group’s stock option and RSU program (see note 3). Compensation for Executive Team members can be found in note 3.



## Note 15. Earnings per share

Earning per share	2016	2015
<b>Earnings per share (profit (loss)):</b>		
Basic earnings (loss) per share (USD)	2.75	(0.31)
Diluted earnings (loss) per share (USD)	2.71	(0.31)
Shares used in earnings per share calculation	146 587 577	144 111 359
Shares used in earnings per share calculation, fully diluted	149 292 689	144 111 359
<b>Earnings per share (continuing operations):</b>		
Basic earnings (loss) per share (USD)	(0.43)	(0.37)
Diluted earnings (loss) per share (USD)	(0.43)	(0.37)
Shares used in earnings per share calculation	146 587 577	144 111 359
Shares used in earnings per share calculation, fully diluted	146 587 577	144 111 359

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

In periods with negative net income, the dilutive instruments will have an anti dilutive effect when calculating diluted earnings per share. For this reason, there is no difference between earnings per share and diluted earnings per share for these periods.

## Note 16. Discontinued operations

### Sale of Consumer business

On 4 November 2016, Opera announced that the transaction between Opera Software ASA and Golden Brick Capital Private Equity Fund I L.P. (the "Buyer") for the sale and purchase of Opera's consumer business for \$575 million (the "Transaction") has been successfully closed. \$38 million of the amount held in escrow (\$575 million) that was not to be released on the closing of the transaction, was released in subsequent installments in December 2016, following the completion of the reorganization of the Consumer Business. Opera recognized a gain of \$439.7 million on the Transaction which is not taxable.

### Sale of TV business

Opera finalized an agreement on December 19, 2016 to sell its TV business ("Opera TV") for \$80 million and an approximately 27% equity interest in Last Lion Ltd, through preferred

shares, which indirectly owns Opera TV (the "Transaction") with Last Lion Holdco AS (the "Buyer"). Opera recognized a gain of \$71.0 million on the Transaction which is not taxable. The gain on the sale of the Transaction includes a receivable for a net working capital adjustment as defined per the SPA. The Buyer and the Company are currently in discussions regarding the net working capital adjustment. If an agreement is not reached by 10 May 2017, the Company plans to have the final net working capital adjustment determined by a third party expert.

Accordingly, the Consumer and TV businesses are presented separately as discontinued operations in the consolidated statement of comprehensive income and comparative periods are restated. The net profit recognized in the comprehensive income from these transactions in 2016 was \$510.7 million.

Results of discontinued operations (Numbers in \$ million, except earnings per share)	2016	2015
Revenue	121.5	161.7
Operating expenses	104.1	123.8
<b>Operating profit ("EBIT"), excluding restructuring costs</b>	<b>17.4</b>	37.9
Restructuring costs	15.8	3.8
<b>Operating profit ("EBIT")</b>	<b>1.6</b>	34.1
Net financial items (loss)	(14.3)	(5.8)
<b>Profit (loss) before income tax</b>	<b>(12.7)</b>	28.3
Provision for taxes	8.5	25.8
<b>Profit (loss) from discontinued operations, net of tax</b>	<b>(21.2)</b>	2.4
Net (gain) loss from sale of discontinued operations, net of tax	510.7	0.0
<b>Profit (loss) from discontinued operations</b>	<b>489.5</b>	2.4

Earnings per share (discontinued operations):	2016	2015
Basic earnings (loss) per share (USD)	3.34	0.02
Diluted earnings (loss) per share (USD)	3.28	0.02
Shares used in earnings per share calculation	146 587 577	144 111 359
Shares used in earnings per share calculation, fully diluted	149 292 689	148 002 380

Cash flow information (discontinued operations):	2016
Cash flow from operating activities	(39.3)
Cash flow from investment activities <sup>1)</sup>	602.9
Cash flow from financing activities	(5.0)

<sup>1)</sup> \$22.2 million is related to settlements between continued and discontinued operations in connection with the acquisition of the Consumer business.



**Effect of disposal on the financial position of the Group**  
*[Numbers in \$ million]*

Deferred tax assets	22.7
Goodwill	57.4
Intangible assets	22.6
Property, plant and equipment	15.2
Other investments	0.0
Other non-current assets	7.4
Inventories	0.0
Accounts receivable	43.4
Other receivables	5.7
Cash and cash equivalents	22.2
<b>Assets of the disposed group</b>	<b>196.6</b>
Deferred tax liability	0.0
Financial lease liabilities	4.9
Loans and borrowings	0.0
Other non-current liabilities	0.1
Provisions – non-current	0.0
Loans and borrowings	0.0
Financial lease liabilities	1.9
Accounts payable	12.3
Taxes payable	19.8
Public duties payable	5.5
Deferred revenue	7.7
Stock-based compensation liabilities	0.0
Other current liabilities	11.5
Provisions – current	0.0
<b>Liabilities of the disposed group</b>	<b>63.7</b>
<b>Net asset and liabilities</b>	<b>132.9</b>
Banker fees and other fees	(14.0)
Consideration received, satisfied in non-cash	17.4
Consideration received, satisfied in cash	640.3
<b>Net profit</b>	<b>510.7</b>
Consideration received, satisfied in cash	640.3
Cash and cash equivalents disposed of	22.2
<b>Net cash inflows</b>	<b>618.1</b>

## Note 17. Events after the reporting period

No events have occurred after the reporting date that would require the consolidated financial statements to be adjusted.



# Parent Company financial statements 2016 Opera Software ASA

The parent company annual accounts report for Opera Software ASA contains the following documents:

- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows
- Statement of changes in equity
- Notes to the financial statements

The financial statements, which have been drawn up by the Board and management, should be read in relation to the Annual Report and the independent auditor's opinion.

## Statement of comprehensive income

Numbers in \$ million	Note	1/1 - 12/31 2016	1/1 - 12/31 2015
			Restated
Revenue	1, 2, 9	1.9	0.2
<b>Total operating revenue</b>		<b>1.9</b>	<b>0.2</b>
Cost of goods sold	9	1.1	0.0
Payroll and related expenses, excluding stock-based compensation expenses	3, 5	4.6	2.4
Stock-based compensation expenses	3	0.9	0.9
Depreciation, amortization, and impairment expenses	5, 7	1.5	0.0
Impairment of shares	8	0.0	0.0
Other operating expenses	3, 4, 5, 7, 9, 13	5.3	3.4
<b>Total operating expenses</b>		<b>13.3</b>	<b>6.7</b>
<b>Operating profit ("EBIT")</b>		<b>(11.4)</b>	<b>(6.5)</b>
Interest income	5, 9	3.3	3.7
Other financial income	5	26.4	47.2
Interest expenses	5, 9	(4.8)	(1.8)
Other financial expenses	5	(16.6)	(9.6)
Interest expense related to contingent consideration	8, 11	(13.8)	(17.6)
FX gains (losses) related to contingent consideration, net	8, 11	13.7	(26.8)
Revaluation of contingent consideration	8, 11	(3.1)	(9.7)
Profit sale shares	8	6.9	130.0
<b>Profit (loss) before income taxes</b>		<b>0.7</b>	<b>109.0</b>
Income taxes	6	(0.1)	0.0
<b>Profit (loss) from continuing operations</b>		<b>0.8</b>	<b>109.0</b>
<b>Profit (loss) from discontinuing operations, net of tax</b>	15	<b>617.6</b>	<b>(5.0)</b>
<b>Profit (loss)</b>		<b>618.4</b>	<b>104.0</b>
<b>Other comprehensive income</b>			
<b>Items that may or will be transferred to profit (loss)</b>			
Foreign currency translation differences		(21.5)	(52.7)
<b>Total comprehensive income (loss)</b>		<b>596.9</b>	<b>51.3</b>
<b>Profit (loss) attributable to:</b>			
Owners of Opera Software ASA		618.4	104.0
Non-controlling interests		0.0	0.0
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of Opera Software ASA		596.9	51.3
Non-controlling interests		0.0	0.0




# Statement of financial position


Numbers in \$ million	Note	12/31/2016	12/31/2015
<b>Assets</b>			
Deferred tax assets	6	0.5	4.2
Other intangible assets	7	0.0	16.1
Property, plant and equipment	7	4.0	7.4
Investments in subsidiaries	8	294.3	210.5
Investments in other shares	8	0.2	0.2
Other investments and deposits	4	9.2	0.7
Other non-current assets	8, 9, 11	423.7	38.2
<b>Total non-current assets</b>		<b>731.9</b>	277.3
Accounts receivable	5, 9, 11	2.4	53.3
Other receivables	6, 9	9.2	138.5
Cash pool receivable	5	131.3	97.0
Cash and cash equivalents	5	2.9	7.4
<b>Total current assets</b>		<b>145.8</b>	296.2
<b>Total assets</b>		<b>877.7</b>	573.5

# Statement of financial position


Numbers in \$ million	Note	12/31/2016	12/31/2015
Shareholders' equity and liabilities			
Share capital	10	0.3	0.3
Share premium		259.8	244.1
Other reserves		25.8	31.0
Other equity		457.0	125.9
<b>Total equity</b>		<b>743.0</b>	401.3
Liabilities			
Stock-based compensation liability	3	0.0	0.1
Provisions	12	0.0	2.8
Other non-current liabilities	9	8.3	0.0
Loans and borrowings	12	100.9	0.0
<b>Total non-current liabilities</b>		<b>109.2</b>	2.9
Accounts payable	9, 11	3.6	14.2
Taxes payable	6	(0.2)	18.5
Public duties payable		3.4	2.7
Deferred revenue	5	2.3	4.5
Stock-based compensation liability	3	0.1	0.1
Other current liabilities	5, 9, 11	13.3	11.0
Provisions	12	3.1	118.2
<b>Total current liabilities</b>		<b>25.5</b>	169.3
<b>Total liabilities</b>		<b>134.7</b>	172.2
<b>Total equity and liabilities</b>		<b>877.7</b>	573.5

Oslo, April 28, 2017

  
Audun Wickstrand Iversen  
Chairman of the Board

  
Frode Jacobsen

  
Marianne Blystad

  
Sophie Charlotte Moatti

  
Andre Christensen

  
Lars Boilesen  
CEO



## Statement of cash flows

Numbers in \$ million

	Note	2016	2015
<b>Cash flow from operating activities</b>			
Profit (loss) before taxes <sup>9)</sup>		618.3	125.0
Income taxes paid	6	(20.2)	(17.5)
Depreciation and amortization expense	7	0.2	9.7
Net (gain) loss from disposals of PP&E, intangible assets, and goodwill		0.0	0.0
Net (gain) loss from sale of shares <sup>4)</sup>	8	(175.5)	(130.0)
Dividends received	8	(449.0)	0.0
Impairment of assets	7	1.2	0.0
Impairment losses	8	0.0	2.7
Loss on sale of shares	8	0.0	0.0
Changes in accounts receivable <sup>1)</sup>		(1.2)	16.9
Changes in accounts payable		0.7	(1.6)
Changes in other liabilities and receivables, net <sup>8)</sup>	9	5.2	11.6
Share of net income (loss) and net (gain) loss from disposal of associated companies		0.1	0.0
Share-based remuneration	3	0.9	3.2
Earnout cost and cost for other contingent payments <sup>2)</sup>	8, 12	3.1	54.1
FX differences related to changes in balance sheet items		(27.3)	(27.2)
Other net finance items		0.8	0.0
<b>Net cash flow from operating activities</b>		<b>(42.7)</b>	47.0
<b>Cash flow from investment activities</b>			
Proceeds from sale of property, plant, and equipment (PP&E) and intangible assets	7	0.0	0.0
Proceeds from sale of shares <sup>4)</sup>	8	618.1	210.9
Purchases of property, plant and equipment (PP&E) and intangible assets	7	(5.7)	(4.1)
Capitalized development costs	4, 7	0.0	(2.4)
Purchases of subsidiaries and associated companies, net of cash acquired <sup>3)</sup>	8	(124.9)	(138.3)
Other investments	8	0.0	(3.0)
Loans given		(5.5)	0.0
<b>Net cash flow from investment activities</b>		<b>482.1</b>	63.1
<b>Cash flow from financing activities</b>			
Proceeds from exercise of own shares (incentive program)	10	0.0	1.3
Purchase of treasury shares		(6.7)	0.0
Proceeds from issuance of shares, net (incentive program)	10	0.0	0.0
Proceeds from issuance of shares, net (equity increase)	10	11.3	(0.0)
Proceeds from loans and borrowings	5	35.0	0.0
Repayments of loans and borrowings	5	(186.4)	0.0
Payment of finance lease liabilities		0.0	0.0
Payment of group contribution	8	(2.2)	(12.5)
Dividends paid to equity holders of Opera Software ASA	10	(260.6)	(4.8)
<b>Net cash flow from financing activities</b>		<b>(409.6)</b>	(16.1)
<b>Net change in cash and cash equivalents</b>		<b>29.8</b>	94.0
Cash and cash equivalents (beginning of period)		104.4	10.4
<b>Cash and cash equivalents <sup>6) 7)</sup></b>		<b>134.2</b>	104.4

<sup>1)</sup> Changes in unbilled revenue are included in changes in accounts receivables.

<sup>2)</sup> Interest income and interest expenses are included in Profit (loss) before taxes. Interest paid and interest received are recognized in the same year that interest income and interest expenses are recognized in the consolidated statement of comprehensive income, with the exception of interest related to re-evaluation of the contingent liabilities related to acquisitions. Conversion differences and interest related to, and re-evaluation of, contingent liabilities are recognized on a separate line as net cash flow from operating activities.

<sup>3)</sup> Includes earnout payments with cash flow effect related to the acquisition of AdColony See note 11 of the consolidated financial statements for further information.

<sup>4)</sup> These figures represent the gain, and the cash received from the sale of the Consumer and TV businesses, and adjustment on the sales of shares in AdColony, Inc. See note 8 for further information.

<sup>5)</sup> This figure includes the investment in 2015 of \$2.7 million in nHorizon Innovation.

<sup>6)</sup> As of December 31, 2016, the conversion discrepancy loss recognized on cash and cash equivalents was \$0.7 million (2015: 5.6).

<sup>7)</sup> Of which \$2.9 million (2015: \$7.0 million) is restricted cash as of December 31, 2015.

<sup>8)</sup> This includes changes in intercompany balances. See note 9 for further information.

<sup>9)</sup> Reconciliation of Profit (loss) before taxes, as presented in the consolidated statement of cash flows above:

[Numbers in \$ million]	2016	2015
Profit (loss) before income taxes	0.7	109.0
Profit (loss) from discontinuing operations, net of tax	617.6	(5.0)
Provision for taxes, discontinued operations	0.0	21.0
<b>Profit (loss) before taxes, as presented in the consolidated statement of cash flows above</b>	<b>618.3</b>	125.0



## Statement of changes in equity

<i>Numbers in MUSD</i>	Number of shares	Paid-in capital	Other reserves	Reserve for own shares	Translation reserve	Other equity	Total equity
<b>Balance as of 12/31/2015</b>		<b>347.0</b>	<b>39.4</b>	<b>(34.7)</b>	<b>(141.9)</b>	<b>191.5</b>	<b>401.3</b>
<b>Comprehensive income for the period</b>							
Profit for the period						618.3	618.3
<b>Other comprehensive income</b>							
Foreign currency translation differences					(21.5)		(21.5)
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(21.5)</b>	<b>618.3</b>	<b>596.8</b>
<b>Contributions by and distributions to owners</b>							
Dividend to equity holders						(260.6)	(260.6)
Issue of ordinary shares related to business combinations							0.0
Issue of ordinary shares related to the incentive program							0.0
Issue of ordinary shares related to equity increase		11.3					11.3
Treasury shares acquired				(6.7)			(6.7)
Treasury shares sold				0.0			0.0
Tax deduction on equity issuance costs						0.0	0.0
Share-based payment transactions			0.9				0.9
<b>Total contributions by and distributions to owners</b>	<b>0.0</b>	<b>11.3</b>	<b>0.9</b>	<b>(6.7)</b>	<b>0.0</b>	<b>(260.5)</b>	<b>(255.0)</b>
<b>Other equity changes</b>							
Other changes						(0.1)	(0.1)
<b>Total other equity changes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Balance as of 12/31/2016</b>	<b>0.0</b>	<b>358.3</b>	<b>40.3</b>	<b>(41.4)</b>	<b>(163.4)</b>	<b>549.3</b>	<b>743.0</b>

### Face value of the shares

The face value of the shares is NOK 0.02.

### Other reserves

Other reserves consist of option and RSU costs recognized according to the equity settled method and issued shares registered in the period after the current financial year.

### Reserve for own shares

The reserve for the Company's own shares comprises the face value cost of the Company's shares held by the Company.

### Translation reserve

The translation reserve consists of all foreign currency differences arising from the translation of the financial statements of foreign operations.

### Other equity

Other equity consists of all other transactions, including, but not limited to, total recognized income and expense for the current period and excess value of the Company's own shares.

## Statement of changes in equity

<i>Numbers in MUSD</i>	Number of shares	Share capital	Share premium	Other reserves	Reserve for own shares	Translation reserve	Other equity	Total equity
<b>Balance as of 12/31/2014</b>	<b>141.7</b>	<b>0.5</b>	<b>317.2</b>	<b>29.9</b>	<b>(34.7)</b>	<b>(89.2)</b>	<b>90.9</b>	<b>314.6</b>
<b>Comprehensive income for the period</b>								
Profit for the period							104.1	104.1
<b>Other comprehensive income</b>								
Foreign currency translation differences						(52.7)		(52.7)
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(52.7)</b>	<b>104.1</b>	<b>51.4</b>
<b>Contributions by and distributions to owners</b>								
Dividend to equity holders							(4.8)	(4.8)
Issue of ordinary shares related to business combinations								0.0
Issue of ordinary shares related to the incentive program								0.0
Issue of ordinary shares related to equity increase	2.4	0.0	29.4					29.4
Treasury shares acquired								0.0
Treasury shares sold	1.2				0.0		1.3	1.3
Tax deduction on equity issuance costs							0.0	0.0
Share-based payment transactions				9.6				9.6
<b>Total contributions by and distributions to owners</b>	<b>3.6</b>	<b>0.0</b>	<b>29.4</b>	<b>9.6</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.5)</b>	<b>35.5</b>
<b>Other equity changes</b>								
Other changes			(0.2)					(0.2)
<b>Total other equity changes</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.2)</b>
<b>Balance as of 12/31/2015</b>	<b>145.3</b>	<b>0.5</b>	<b>346.5</b>	<b>39.4</b>	<b>(34.7)</b>	<b>(141.9)</b>	<b>191.5</b>	<b>401.3</b>

### Face value of the shares

The face value of the shares is NOK 0.02.

### Other reserves

Other reserves consist of option and RSU costs recognized according to the equity settled method and issued shares registered in the period after the current financial year.

### Reserve for own shares

The reserve for the Company's own shares comprises the face value cost of the Company's shares held by the Company.

### Translation reserve

The translation reserve consists of all foreign currency differences arising from the translation of the financial statements of foreign operations.

### Other equity

Other equity consists of all other transactions, including, but not limited to, total recognized income and expense for the current period and excess value of the Company's own shares.



## Note 1. Accounting principles

Information about the accounting principles is given in the accompanying note 1 in the consolidated financial statements.

## Note 2. Operating and geographic segment information

The Group's business activities stem from advertising revenue generated from AdColony and other Mobile Advertising subsidiaries, subscription revenue from mobile-app discovery and VPN services, and license revenue from Rocket Optimizer™.

Following the sale of substantially all of the Group's Consumer business, and the TV business, which were complet-

ed during 2016, the Company's main activities are to serve the Group as a whole, through the following functions and services: CEO/Board of Directors, corporate finance and accounting, legal, HR and IT. The operational activities of the Company's subsidiaries are described below.

For further information regarding subsidiaries, see note 8.

## Note 3. Payroll expense and remuneration to management

Payroll expenses [Numbers in \$ million]	2016	2015
Salaries/bonuses	3.7	2.0
Social security cost	0.6	0.3
Pension cost	0.0	0.0
Share-based remuneration including social security cost	0.9	0.9
Other payments	0.0	0.0
Consultancy fees for technical development	0.2	0.0
<b>Total</b>	<b>5.5</b>	<b>3.3</b>
Average number of employees	10	8

The company has incorporated the requirements set out by the Mandatory Occupational Pensions Act ("Obligatorisk Tjeneste Pensjon").

### Remuneration to key management personnel

Information about remuneration to key management personnel is given in the accompanying note 3 in the consolidated financial statements.

### Remuneration to the statutory auditors

The following table shows fees to KPMG for 2016 and 2015. For all categories the reported fee is the recognized expense in other operating expenses for the year.

Audit fees [Numbers in \$ million]	2016	2015
Audit and audit related services	0.2	0.3
Assurance services	0.2	0.2
Tax services	0.0	0.0
Other service	0.0	0.1
<b>Total</b>	<b>0.4</b>	<b>0.6</b>

### Options

The number and weighted average exercise price of share options are as follows:

In thousands of options	Weighted average exercise price 2016 (NOK)	Number of options 2016	Weighted average exercise price 2015 (NOK)	Number of options 2015
Outstanding at the beginning of the period	34.21	1 298	46.96	3 017
Transferred in	0.00	0	33.18	613
Transferred out	0.00	0	42.78	190
Terminated (employee terminations)	0.00	0	0.00	0
Forfeited during the period	0.00	0	56.14	108
Expired during the period	0.00	0	0.00	0
Exercised during the period	30.79	-965	30.62	57
Granted during the period		0	0.00	0
Outstanding at the end of the period		333		3 275
Exercisable at the end of the period		205		1 838

No Options were granted for 2016

The table below shows the number of options issued to employees at various strike prices and exercise dates.

Exercise price [In thousands of options]	TOTAL OUTSTANDING OPTIONS			VESTED OPTIONS	
	Outstanding options per 12/31/2016	Weighted average remaining lifetime	Weighted average exercise price (NOK)	Vested options 12/31/2016	Weighted average exercise price (NOK)
0.00 - 10.00	18	0	8	18	8
10.00 - 12.30	100	3	12	100	12
12.30 - 15.00					
15.00 - 20.00	75	3.63	19.28	38	19.28
20.00 - 25.00	50	2.93	22.08	50	22.08
25.00 - 30.00					
30.00 - 35.00					
35.00 - 40.00					
40.00 - 45.00					
45.00 -	90	4.72	60.75	-	-
<b>Total</b>	<b>333</b>	<b>3.37</b>	<b>28.06</b>	<b>205</b>	<b>15.32</b>

Exercise price = strike price

The table below shows the date, number and achieved selling price of options exercised.

[In thousands of options]

Date of exercise	Number of exercised options	Achieved selling price (NOK)
9/7/2016	653	53.50
11/16/2016	313	49.96
	965	52.35



**Restricted stock units**

The total number of RSUs granted in 2016 was 0 (2015: 134 963)

Fair value of RSUs and assumptions [Numbers in NOK]	2016	2015
Fair value at measurement date (average per RSU)	0.00	58.23
Spot Price at grant	0.00	71.00
Expected dividends to reduce fair value (PV)	0.00	12.77
RSU life	0.00	2.59
Risk-free interest rate (based on national government bonds)	0.00%	0.93%

Restricted Stock Units	2016		2015	
	Shares	Weighted Average Exercise Price (NOK)	Shares	Weighted Average Exercise Price (NOK)
Outstanding at the beginning of period	304 713	0.02	193 000	0.02
Granted	-	-	134 963	0.02
Transferred in	-	-	35 000	0.02
Exercised	-	-	-	-
Released	-18 305	0.02	-48 250	0.02
Cancelled	-	-	-	-
Forfeited	-101 713	-	-10 000	0.02
Expired	-	-	-	-
Adjusted quantity	-39 843	0.02	-	-
Performance adjusted	-	-	-	-
Transferred out	-	-	-	-
Outstanding at the end of period	144 852	0.02	304 713	0.02
Vested options	138 014	0.02	5 000	0.02
Weighted Average Fair Value of Options				
Granted during the period	-	-	134 963	58.23
Intrinsic value outstanding options at the end of the period	144 854	5 400 083	304 713	15 397 148
Intrinsic value vested options at the end of the period	-	-	5 000	252 650.00

Estimated performance levels for unvested RSUs are estimated to be at 100% of the performance targets.

## Note 4. Other expenses, research and other non-current assets

Other expenses [Numbers in \$ million]	2016	2015
Rent and other office expenses	0.3	0.4
Equipment	0.9	-
Audit, legal and other advisory services	2.9	3.4
Travel expenses	0.4	0.0
Other expenses	0.8	0.1
<b>Total</b>	<b>5.3</b>	<b>3.9</b>

## Note 5. Financial risk

**Currency risk**

The majority of the financial risk that the Company is exposed to relates to currency risk. Both revenue and operating expenses are exposed to foreign exchange rate fluctuations. The majority of the Company's operating expenses are in NOK.

The lending and borrowing activities of the company are primarily in USD.

*The unrealized foreign exchange gain (loss) is estimated as the difference between exchange rates. These numbers are shown in the table below.*

Realized / Unrealized FX gain (loss) [Numbers in \$ million]	2016	2015
Realized FX gain (loss)	(6.1)	(16.1)
Unrealized FX gain (loss)	15.9	89.8
Net FX gain (loss)	9.9	73.7

**Foreign exchange contracts**

During 2016 and 2015, the Company did not use forward exchange contracts to hedge its currency risk, and the Company had not entered into any foreign exchange contracts as of December 31, 2016.

**Credit risk**

Credit risk is the loss that the Group would suffer if a counterparty fails to perform its financial obligations. See note 5 of the consolidated financial statements for further information.

**Accounts receivable and other receivables**

[Numbers in \$ million]	2016	2015
External accounts receivable	1.2	25.0
Internal accounts receivable	1.0	13.5
Unbilled revenue	0.2	14.9
Other receivables	9.2	138.5
<b>Total</b>	<b>11.6</b>	<b>191.8</b>

Please see note 9 for further information regarding Other receivables.

**Liquidity risk**

The Company had the following liquidity reserve and credit facility as of December 31.

Liquidity reserve [Numbers in \$ million]	12/31/ 2016	12/31/ 2015
Cash and cash equivalents		
Cash and cash equivalents outside the Group's cash pool systems	2.9	7.4
-of which restricted funds 1)	2.9	7.0
Cash and cash equivalents in the Group's cash pool systems	131.3	97.0
<b>Unrestricted cash</b>	<b>131.3</b>	<b>97.4</b>

**Credit Facility**

[Numbers in \$ million]

	12/31/ 2016	12/31/ 2015
Long-term cash credit	150.0	0.0
-of which utilized	100.0	0.0
Short-term overdraft facility	0.0	0.0
-of which utilized	0.0	0.0

See note 5 of the consolidated financial statements for information regarding the Group's credit facility agreement.

In February 2016, the Company drew up a loan of \$100 million from DNB Bank ASA on behalf of its subsidiary Opera Software Financing AS.

In March 2016, the Company signed an agreement with DNB Bank ASA for a loan of \$35 million.

As part of the restructuring of the Opera Software ASA Group, the credit facility agreement was transferred from Opera Software Financing AS to the Company in August 2016, in exchange of a loan note of NOK 2,057,725,000 (\$250 million) at an exchange rate of 8.2309 issued by Opera Software Financing AS.

**Cash pool agreement**

The Company has entered into the cash pool system established by the Group. Under these agreements, Opera Software Financing Limited is the Group account holder and the other companies in the Group are sub-account holders or participants. The banks can offset balances in their favour against deposits, so that the net position represents the net balance between the bank and the Group account holder.

**Financial liabilities**

All financial liabilities other than the credit facility (described above), and liabilities relating to contingent considerations (see note 11) are expected to be paid within 1 year of the balance sheet date.

**Deferred revenue**

Deferred revenue consists of prepaid license/royalty payments, prepaid maintenance and support, and prepaid development fees. Of the Company's total current liabilities, \$2.3 million (2015: 4.5) relates to deferred revenue, and \$2.3 million (2015: 2.8) relates to deferred revenue that has no future cash payments.

**Capital management**

The Company's policy has been to maintain a high equity-to-asset ratio and to maintain a solid capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group still possesses a business model that anticipates considerable cash flow in the future.

In 2016, the Board of Directors has used its authorization to purchase the treasury shares. Please see note 9 in the consolidated financial statements for more information.



## Note 6. Tax

Current tax: [Numbers in \$ million]	2016	2015
Profit before income tax	618.3	125.0
Permanent differences in profit and loss	(620.6)	(51.0)
Tax deductible issue cost booked against equity	0.0	0.0
Taxes paid abroad	0.0	0.0
Changes in temporary differences	0.4	6.5
Use of taxable loss carried forward	0.0	0.0
Basis for current tax	(1.9)	80.6
Tax 25%	0.0	21.8
Taxes paid abroad	0.0	(2.6)
Current tax	0.0	19.2

Tax expense [Numbers in \$ million]	2016	2015
Current tax	0.0	19.5
Deferred tax – gross changes	(0.5)	(1.5)
Tax expense related to change in tax rate	0.0	0.0
Taxes on capital raising costs	0.0	0.1
Tax effect on losses from sales of own shares	0.0	0.0
Tax payable abroad	0.4	2.7
Too much/little tax booked previous year	0.0	0.2
<b>Total</b>	<b>(0.1)</b>	<b>21.0</b>

Tax payable: [Numbers in \$ million]	2016	2015
Current tax	0.0	19.5
Tax payable abroad	0.4	2.7
Too much/little tax booked previous year	0.0	0.2
Prepaid tax	(0.2)	0.0
Taxes on capital raising costs	0.0	0.1
Withholding tax paid to a foreign country	(0.4)	(2.7)
Tax effect on losses from sales of own shares*	0.0	(0.1)
Withholding tax utilized	0.0	0.0
Effect of FX differences	0.0	(1.2)
<b>Total</b>	<b>(0.2)</b>	<b>18.5</b>

\*Recognized against equity.

### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

[Numbers in \$ million]	ASSETS		LIABILITIES		NET	
	2016	2015	2016	2015	2016	2015
Inventory, office machinery, etc.	0.0	(2.2)	0.0	0.0	0.0	(2.2)
Accounts receivables	0.0	(1.8)	0.0	0.0	0.0	(1.8)
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	(0.5)	(0.2)	0.0	0.0	(0.5)	(0.2)
Tax value of loss carry-forwards utilized	0.0	0.0	0.0	0.0	0.0	0.0
Withholding tax paid to a foreign country carried forward	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes/ (tax assets)	(0.5)	(4.2)	0.0	0.0	(0.5)	(4.2)
Set-off of tax	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net deferred taxes / (tax assets)</b>	<b>(0.5)</b>	<b>(4.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.5)</b>	<b>(4.2)</b>

### Deferred tax assets and liabilities

Movement in temporary differences during the year

[Numbers in \$ million]	Balance 1/1/15	Posted to statement of comprehensive income	Posted directly to equity capital	Balance 12/31/15
Inventory, office machinery, etc.	(1.9)	(0.3)	0.0	(2.2)
Accounts receivables	(1.1)	(0.7)	0.0	(1.8)
Liabilities	(0.4)	0.2	0.0	(0.2)
Tax value of loss carry-forwards utilized	0.0	0.0	0.0	0.0
<b>Deferred taxes / (tax assets)</b>	<b>(3.3)</b>	<b>(0.9)</b>	<b>0.0</b>	<b>(4.2)</b>

[Numbers in \$ million]	Balance 1/1/16	Posted to statement of comprehensive income	Posted directly to equity capital	Disposal	Balance 12/31/16
Inventory, office machinery, etc.	(2.2)	2.2	0.0		(0.0)
Accounts receivables	(1.8)	1.8	0.0		0.0
Liabilities	(0.2)	(0.3)	0.0		(0.5)
Tax value of loss carry-forwards utilized	0.0	0.0	0.0		0.0
<b>Deferred taxes / (tax assets)</b>	<b>(4.2)</b>	<b>3.7</b>	<b>0.0</b>		<b>0.5</b>

It is the Company's opinion that deferred tax assets can be substantiated in the future. The Company's opinion is based on expected and estimated future income.

Change in deferred tax asset directly posted against the equity capital [Numbers in \$ million]	2016	2015
Translation differences	0.0	0.0
Total deferred taxes posted directly against the equity	0.0	0.0

### Reconciliation of effective tax rate

[Numbers in \$ million]	2016		2015	
Profit before tax		618.3		109.0
Income tax using the domestic corporate tax rate	25.0 %	154.6	27.0 %	29.4
Overbooked taxes, previous year	0.0 %		0.2 %	0.2
Effect of changes in tax rate	0.0 %	0.0	0.3 %	0.3
Tax paid to a foreign country	0.0 %	0.0	0.0 %	0.0
Taxes on other permanent differences	-25.0 %	(154.7)	-8.3 %	(9.1)
<b>Total tax expense for the year</b>	<b>0.0 %</b>	<b>(0.1)</b>	<b>19.2 %</b>	<b>21.0</b>

### Permanent differences

Permanent differences include dividends received of \$449 million, gain from shares, as well as non-deductible costs and share-based remuneration. See note 8 for further information on dividends and gain from sale of shares.



## Note 7. Property, plant & equipment, development cost and other intangible assets

	Cost rented premises	Machinery and equipment	Fixtures and fittings	Development	Other intangible assets	Total
[Numbers in \$ million]						
<b>Acquisition cost</b>						
Acquisition cost as of 1/1/16	1.1	12.0	0.6	13.3	16.3	43.4
Acquisitions	0.0	5.6	0.0	0.0		5.6
Disposal					0.0	0.0
Transfer of assets to discontinued operations	(1.1)	(12.0)	(0.6)	(13.3)	(16.3)	(43.4)
Currency differences	0.0	(0.2)	0.0	0.0	0.0	(0.2)
<b>Acquisition cost as of 12/31/16</b>	<b>0.0</b>	<b>5.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5.4</b>
<b>Depreciation</b>						
Depreciation as of 1/1/16	0.4	5.5	0.4	8.8	4.8	19.9
Disposal						0.0
Transfer of assets to discontinued operations	(0.4)	(5.5)	(0.4)	(8.8)	(4.8)	(19.9)
Currency differences	0.0	(0.0)	0.0	0.0	0.0	(0.0)
<b>Accumulated depreciation as of 12/31/16</b>	<b>0.0</b>	<b>1.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>
<b>Net book value as of 12/31/16</b>	<b>0.0</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5.4</b>
<b>Depreciation for the year</b>		0.2				<b>0.2</b>
<b>Impairment losses for the year</b>		1.2				<b>1.2</b>

	Cost rented premises	Machinery and equipment	Fixtures and fittings	Development	Other intangible assets	Total
[Numbers in \$ million]						
<b>Acquisition cost</b>						
Acquisition cost as of 1/1/15	1.3	9.8	0.7	13.0	19.4	44.2
Acquisitions	0.1	4.0	0.0	2.3		6.4
Disposal						0.0
Currency differences	(0.2)	(1.8)	(0.1)	(2.0)	(3.0)	(7.1)
<b>Acquisition cost as of 12/31/15</b>	<b>1.1</b>	<b>12.0</b>	<b>0.6</b>	<b>13.3</b>	<b>16.3</b>	<b>43.4</b>
<b>Depreciation</b>						
Depreciation as of 1/1/15	0.3	5.6	0.3	5.9	1.0	13.0
Disposal						0.0
Currency differences	(0.0)	(0.9)	(0.0)	(1.3)	(0.5)	(2.8)
<b>Accumulated depreciation as of 12/31/15</b>	<b>0.4</b>	<b>5.5</b>	<b>0.4</b>	<b>8.8</b>	<b>4.8</b>	<b>19.9</b>
<b>Net book value as of 12/31/15</b>	<b>0.7</b>	<b>6.5</b>	<b>0.2</b>	<b>4.5</b>	<b>11.5</b>	<b>23.5</b>
<b>Depreciation for the year</b>	0.2	0.8	0.1	4.2	4.4	<b>9.7</b>
<b>Impairment losses for the year</b>						<b>0.0</b>
Useful life	Up to 6 years	Up to 10 years	Up to 5 years	Up to 4 years	Up to 5 years	
Depreciation plan	Linear	Linear	Linear	Linear	Linear	

Development is internally developed intangible assests

### Operating leases

The Company's lease agreement for the rental of its Norwegian offices at Gjerdrums vei 19 will run through November 2019. The lease agreement, according to IAS 17, is considered an operating lease.

	2016	2015
[Numbers in \$ million]		
Leasing costs expensed	0.2	0.4
Non-terminable operating leases due in:		
Less than one year	0.5	0.2
Between one to five years	0.8	1.3
More than five years	0.0	0.0
<b>Total</b>	<b>1.3</b>	<b>1.5</b>

## Note 8. Investments in subsidiaries, associated companies and other shares

The shares in the subsidiaries are booked at the cost of acquisition.

Subsidiaries [Numbers in \$ million]	Opera Distribution AS	Opera Mediaworks Holdings AS	Privacy & Performance Ireland Ltd
<b>Formal information</b>			
Acquisition date	8/8/2016	6/18/2016	9/14/2016
Registered office	Oslo, Norway	Oslo, Norway	Dublin, Ireland
Ownership interest	100%	100%	100%
Proportion of votes	100%	100%	100%
Equity at year end	33.2	200.8	(0.7)
Profit for the year	1.4	4.4	(0.7)
<b>Information related to the acquisition date</b>			
Acquisition cost	63.0	235.0	0.2
Group contribution	1.0		

	2016	2015
[Numbers in \$ million]		
Purchase price	298.2	1.9
Impairment	0.0	(0.5)
Group contribution	1.0	23.6
Options issued*	0.0	18.0
Capital increase	0.2	167.5
FX adjustment	(5.1)	0.1
<b>Total</b>	<b>294.3</b>	<b>210.5</b>

\*Options issued by the Company on behalf of employees in the subsidiaries.



#### AdColony, Inc.

During 2015, the Company sold 100% of the shares in AdColony, Inc. to Opera Mediaworks, LLC for net proceeds of \$210.9 million. The sale agreement also included a back to back agreement clause whereby Opera Mediaworks, LLC agreed to pay the Company a USD amount equal to the amounts the Company is obliged to pay the former shareholders of AdColony, Inc. as part of the original acquisition, including accumulated and future earn-out consideration. As of 31 December 2015, the remaining estimated liability to former shareholders and corresponding receivable under the back to back agreement was approximately USD 121 million. For further information about the AdColony, Inc. earn-out agreement, see note 11 in the consolidated financial statements.

An adjustment of \$6.9 million was recognized in 2016 related to the contingent consideration.

#### Demerger

On December 21, 2015, an Extraordinary General Meeting ("EGM") was called to approve a demerger plan for Opera Software ASA. On January 25, 2016, the EGM approved the demerger plan for Opera Software ASA. This plan was proposed by the Board of Directors in order to carry out a corporate structure reorganization, designed specifically to separate the Consumer and TV businesses into two separate entities and move operations from the ultimate parent company. The first steps of the proposed corporate structure reorganization process were to transfer the group's business areas related to Consumer and TV as well as subsidiaries, to two new wholly owned subsidiaries of Opera Software ASA; Opera Software AS and Opera TV AS. This was completed through two simultaneous and mutually conditional demergers.

The demerger was notified to the Norwegian Register of Business Enterprises on January 25, 2016 and the six weeks creditor notification expired without any objections being raised. On March 11, 2016, the demerger was completed and registered in the Norwegian Register of Business Enterprises. The demergers were carried out in accordance with the statutory provisions on demergers set out in chapter 14 of the Norwegian Public Limited Liability Companies Act and in accordance with the provisions in the Norwegian Tax Act on tax neutral demergers.

The demerger was accounted for using the continuity method.

#### Dividend received from Opera Software AS

As part of the restructuring of the Opera Software ASA Group whereby the Consumer business and Mediaworks business (Mobile Advertising) were separated, all debt and receivables between the Opera Software AS Group (Consumer business) and the Opera Software ASA Group were settled. As part of this settlement, a dividend payment of NOK 3 607 million (approximately \$449 million) was made by Opera Software AS to Opera Software ASA in 2016.

#### Sale of Consumer business

On 4 November 2016, Opera announced that the transaction between Opera Software ASA and Golden Brick Capital Private Equity Fund I L.P. (the "Buyer") for the sale and purchase of Opera's consumer business for \$575 million (the "Transaction") has been successfully closed. \$38 million of the amount held in escrow (\$575 million) that was not to be released on the closing of the transaction, was released in subsequent installments in December 2016, following the completion of the reorganization of the Consumer Business. The Company recognized a gain of \$90.9 million on the Transaction which is not taxable.

#### Sale of TV business

Opera finalized an agreement on December 19, 2016 to sell its TV business ("Opera TV") for \$80 million and an approximately 27% equity interest in Last Lion Ltd, through preferred shares, which indirectly owns Opera TV (the "Transaction"). The Company recognized a gain of \$77.7 million on the Transaction which is not taxable.

Accordingly, the Consumer and TV businesses are presented separately as discontinued operations in the statement of comprehensive income and comparative periods are restated. The net profit recognized in the comprehensive income from these transactions in 2016 was \$168.6 million.

See note 16 for further information regarding discontinued operations.

#### Investments in associated companies

Opera finalized an agreement on December 19, 2016 to sell its TV business ("Opera TV") for \$80 million and an approximately 27% equity interest in Last Lion Ltd, through preferred shares, which indirectly owns Opera TV (the "Transaction").

#### Information regarding Last Lion

Holdings Ltd [Numbers in \$ million]	2016	2015
Revenue	32.8	N/A
EBIT	3.3	N/A
Net profit (loss)	6.5	N/A
Assets	129.1	N/A
Non-current liabilities	85.1	N/A
Current liabilities	9.6	N/A
Equity	34.5	N/A
Opera's share of equity	9.3	N/A

The numbers above reflect the restated and proforma FY 2016 numbers for the TV business before Last Lion Holdings Ltd acquired a majority stake in the TV business.

#### Investment in associate

The investment in Last Lion Holdings LTD is recognized using the equity method. Opera has recognized the following fair value amount as Other investments in the statement of financial position:

Carrying value [Numbers in \$ million]	2016	2015
Investment (Booked value January 1)	0.0	N/A
Investment during the financial year	9.6	N/A
FX adjustment	-	N/A
Share of the profit (loss)	(0.1)	N/A
Elimination	-	N/A
<b>Total</b>	<b>9.5</b>	<b>N/A</b>

#### Other shares

Opera Software ASA owns 20% of the European Center for Information and Communication Technologies — EICT GmbH, and 1.1% of the shares in Alliance Venture Spring AS. The recognized value of the shares is \$0.2 million. The market values of the companies are unknown. The EICT is a public/private partnership of scientific institutions, institutes of applied research and leading industrial companies. The strategic innovation partnership pools and specifically links research and development activities in industry and science to information and communication technologies. Alliance Venture Spring is a Norwegian venture capital firm investing in early stage technology companies.

## Note 9. Outstanding accounts between companies within the same group

[Numbers in \$ million]	Other receivables (non-current)		Accounts receivables		Other receivables (current)	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Entity within group	423.7	38.2	0.9	13.5	1.3	123.0
<b>Sum</b>	<b>423.7</b>	<b>38.2</b>	<b>0.9</b>	<b>13.5</b>	<b>1.3</b>	<b>123.0</b>

[Numbers in \$ million]	Other long-term liabilities		Accounts payable		Other short-term liabilities	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Entity within group	8.3	0.0	2.5	11.5	0.0	-0.0
<b>Sum</b>	<b>8.3</b>	<b>0.0</b>	<b>2.5</b>	<b>11.5</b>	<b>0.0</b>	<b>-0.0</b>

All outstanding balances with the related parties are priced on an arm's-length basis and are to be settled in cash within five years of the reporting date. None of the balances are secured. The balances outstanding are specified as follows:

Balance outstanding [Numbers in \$ million]	12/31/2016	12/31/2015
Opera Mediaworks Holding AS	237.3	
Opera Mediaworks, LLC	125.8	121.0
Opera Mediaworks Ireland Limited	27.9	12.5
Opera Distribution AS	15.5	32.8
Performance and Privacy Ireland Limited	12.7	
Apps and Games Ireland Limited	3.2	
SurfEasy Inc.	1.1	
4th Screen Advertising Limited	0.1	
Apprupt GmbH	0.0	0.0
Advine	0.0	
Opera Software Singapore PTE. LTD	0.0	(0.4)
Opera Software Financing Limited	0.0	0.2
Opera Software Holdings Ireland Limited	0.0	
Opera Software International US, Inc.	(0.4)	0.3
Opera Mediaworks, Inc.	(0.5)	(1.2)
4th Screen Advertising Holdings Limited	(7.8)	
Opera Commerce, LLC		0.2
4th Screen Advertising Limited		0.1
Huntmads SA		0.1
Opera Software Korea Ltd		(0.1)
LLC Opera Software Russia		(0.1)
Opera Software Brazil Ltda.		(0.2)
Handster, Inc		(1.2)
Entities part of discontinued operations		(0.6)
<b>Total</b>	<b>415.1</b>	<b>163.3</b>

Transactions [Numbers in \$ million]	2016	2015
Intercompany revenue	0.8	0.2
Intercompany costs of goods sold	1.1	0.0
Interest income from related parties	3.1	0.9
Interest expense to related parties	0.5	0.0



As part of the restructuring of the Opera Software ASA Group whereby the Consumer business and Mediaworks business (Mobile Advertising) were separated, all debt and receivables between the Opera Software AS Group (Consumer business) and the Opera Software ASA Group were settled.

**Opera Mediaworks Holding AS, receivable of 237.3**

As a step in this process, Opera Mediaworks Holding AS transferred debt to Opera Software ASA. A loan note was transferred where Opera Software International AS was the creditor and Opera Mediaworks Holding AS was the debtor. A new loan note was therefore issued where Opera Software ASA is the creditor and Opera Mediaworks Holding AS is the debtor. The loan note that was transferred relates to the purchase of the shares in Opera Software International US, Inc. from Opera Software International AS in 2016.

**Opera Mediaworks, LLC, receivable of 125.8**

As a step in this process, Opera Mediaworks LLC transferred debt to Opera Software ASA. A loan note was transferred where Opera Software AS was the creditor and Opera Mediaworks, LLC was the debtor. A new loan note was therefore issued where Opera Software ASA is the creditor and Opera Mediaworks, LLC is the debtor. The loan note that was transferred relates to the sale of the shares in Ad-Colony, Inc. to Opera Mediaworks, LLC in 2015. See note 8 for further information.

**Opera Mediaworks Ireland Limited, receivable of 27.9**

As a step in this process, Opera Mediaworks Ireland Limited transferred debt to Opera Software ASA. Loan notes were transferred where Opera Software AS and Opera Software International AS were the creditors and Opera Mediaworks Ireland Limited was the debtor. New loan notes were therefore issued where Opera Software ASA is the creditor and Opera Mediaworks Ireland Limited is the debtor. The loan notes that were transferred relate to loans given to Opera Mediaworks Ireland Limited in the period 2014 to 2016.

**Opera Distribution AS, receivable of 15.5**

As a step in this process, Opera Distribution AS transferred debt to Opera Software ASA. Loan notes were transferred where Opera Software AS and Opera Software International AS were the creditors and Opera Distribution AS was the debtor. New loan notes were therefore issued where Opera Software ASA is the creditor and Opera Distribution AS is the debtor. The loan notes that were transferred relate to the purchase of the shares in Opera Software Ukraine LLC from Opera Software International AS in 2016, and the transferral of an escrow account from Opera Software AS in connection with the acquisition of Bemobi.

**Performance and Privacy Ireland Limited, receivable of 12.7**

As a step in this process, Performance and Privacy Ireland Limited assumed debt to Opera Software ASA from Opera Software Ireland Ltd. A new vendor loan note was therefore issued where Opera Software ASA is the creditor and Performance and Privacy Ireland Limited is the debtor. The debt that was assumed relates to the purchase of the shares in SurfEasy, Inc. from Opera Software Ireland Ltd which was settled by the assumption of debt.

Breakdown of intercompany receivables by currency <i>[Numbers in \$ million]</i>		2016
NOK		223.3
USD		199.0
EUR		2.7
Total		425.0

For the largest intercompany receivables described in detail above, an interest rate of 1 month LIBOR + 175 basis points is charged.

**Note 10. Shareholder information**

Shareholder information is given in the accompanying note 9 to the consolidated financial statements.

**Note 11. Accounts receivable, other receivables, accounts payables, other payables and provisions**

Financial assets and liabilities mainly comprise short-term items (non-interest-bearing). Based on this assessment, management does not consider the Company to have financial assets or liabilities with potentially significant differences between net book value and fair value.

**Fair values of financial assets and financial liabilities as of December 31, 2016**

The following table shows the carrying amounts and fair values of financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>[Numbers in \$ million]</i>	CARRYING AMOUNT			FAIR LEVEL				
	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value								
Provisions	3.1	0.0	0.0	3.1	0.0	0.0	3.1	3.1
Total financial liabilities measured at fair value	3.1	0.0	0.0	3.1	0.0	0.0	3.1	3.1

For more information please see note 12.

**Fair values of financial assets and financial liabilities as of December 31, 2015**

The following table shows the carrying amounts and fair values of financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>[Numbers in \$ million]</i>	CARRYING AMOUNT			FAIR LEVEL				
	Designated at fair value	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value								
Provisions	121.0	0.0	0.0	121.0	0.0	0.0	121.0	121.0
Total financial liabilities measured at fair value	121.0	0.0	0.0	121.0	0.0	0.0	121.0	121.0



## Note 12. Contingent liabilities and provisions

### Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	Discounted cash flows The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios where Opera has forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	*Forecasted annual revenue	The estimated fair value would increase (decrease) if:  *The annual revenue growth rate were higher (lower), *The EBITDA margin were higher (lower); or * The risk-adjusted discount rate were lower (higher)  Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.
		*Forecasted EBITDA	
		*Risk-adjusted discount rate	

### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balance to the closing balances for Level 3 fair values.

[Numbers in \$ million]		Contingent consideration
<b>Balance as of 1/1/2015</b>		<b>210.9</b>
Assumed in a business combination		0.0
Paid		(117.3)
Finance cost		54.1
Translation differences		(26.7)
OCI		0.0
<b>Balance as of 12/31/2015</b>		<b>121.0</b>
Assumed in a business combination		0.0
Paid		(124.9)
Finance cost		3.1
Translation differences		3.8
OCI		0.0
<b>Balance as of 12/31/2016</b>		<b>3.1</b>

### AdColony — Earnout agreement and senior management incentive plan

Information regarding the AdColony earnout agreement and senior management incentive plan is given in note 11 of the consolidated financial statements.

## Note 13. Accounting estimates and judgments

Management has evaluated the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty and critical accounting judgments in applying the Company's accounting policies

#### Contingent considerations

The Group has entered into earnout agreements as speci-

fied in note 8 and note 11. Opera has in note 11 given a detailed analysis of how the contingent considerations have been calculated. Changes in the chosen assumptions can have a significant impact on the size of the earnout cost.

#### Stock-based compensation

The options and RSUs are recognized in accordance with IFRS 2. The option and RSU costs are calculated on the basis of various assumptions, such as volatility, interest level, dividend and employee turnover. For RSUs, estimates of achieved performance targets are also included. The chosen assumptions can have a significant impact on the size of the option and RSU costs. The assumptions are given in note 3.

#### Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax issues based on best estimate of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

## Note 14. Related parties

In 2016, except for Opera Software ASA's transactions with group companies in the normal course of business, and earnout payments to shareholders, Opera Software ASA did not engage in any related-party transactions, including with any members of the Board of Directors or the Executive Team. See note 11 for further significant information. The transactions with the subsidiaries are based on a model where the parent company covers the cost plus a margin. The margins are based on the arm's-length principle.

See note 9 for information regarding transactions as part of the corporate structure reorganization process.

#### Transactions with key management personnel

Members of the Board of Directors and the Executive Team of the Group and their immediate relatives controlled 0.2% of the Group's voting share as per December 31, 2016. The Company has not provided any loans to directors or Executive Team members as of December 31, 2016.

Executive Team members also participate in the Company's stock option program (see note 3 in the consolidated financial statements).

Compensation for Executive Team members can be found in note 3 to the consolidated financial statements.



## Note 15. Discontinued operations

Following the sale of the Consumer and TV businesses, these are presented separately as discontinued operations in the statement of comprehensive income and comparative periods are restated.

See note 8 for further information regarding discontinued operations.

### Results of discontinued operations

The Company has excluded the revenues and expenses of the disposed businesses for the period prior to the effective date of the demerger in 2016 due to materiality considerations.

<i>(Numbers in \$ million)</i>	2016	2015
Revenue	0.0	169.9
Operating expenses	0.0	148.8
<b>Operating profit ("EBIT"), excluding restructuring costs</b>	<b>0.0</b>	21.1
Restructuring costs	0.0	5.1
<b>Operating profit ("EBIT")</b>	<b>0.0</b>	16.0
Net financial items (loss)	0.0	0.0
Net (gain) loss from sale of discontinued operations, net of tax	168.6	0.0
Dividends received	449.0	0.0
<b>Profit (loss) before income tax</b>	<b>617.6</b>	16.0
Provision for taxes	0.0	21.0
<b>Profit (loss) from discontinued operations</b>	<b>617.6</b>	(5.0)
<b>Items that may or will be transferred to profit (loss)</b>		
Discontinuing operations – reclassified to profit and loss	0.0	0.0
<b>Total comprehensive income (loss)</b>	<b>617.6</b>	(5.0)

<b>Cash flow information (discontinued operations):</b>	2016	2015
Cash flow from operating activities	57.3	63.0
Cash flow from investment activities	(135.6)	63.1
Cash flow from financing activities	0.0	0.0

<b>Effect of disposal on the financial position of the Company: (Numbers in \$ million)</b>	2016
<b>Shares in subsidiaries</b>	<b>475.1</b>
Banker fees and other fees	(14.0)
Consideration received, satisfied in non-cash	17.4
Consideration received, satisfied in cash	640.3
<b>Net profit</b>	<b>168.6</b>
Consideration received, satisfied in cash	640.3
Cash and cash equivalents disposed of	22.2
<b>Net cash inflows</b>	<b>618.1</b>

## Note 16. Events after the reporting period

No events have occurred after the reporting date that would require the parent company financial statements to be adjusted.



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#### Assessment of the carrying value of Goodwill and Intangible assets

Refer to Note 7 Property, plant and equipment, Note 8 Goodwill and impairment testing and investments in associated companies, Note 12 Restructuring and impairment cost, and Note 13 Accounting estimates and judgments in the Consolidated Financial Statements.

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The impairment assessment of goodwill with a carrying value of USD 322.2 million and intangible assets with a carrying value of USD 83.5 million as of 31 December 2016, respectively, is considered to be a key audit matter. This is due to the size of the balances and the risk of technological and market changes associated with business acquisitions within Mobile Advertising, Apps and Games, and Performance and Privacy segments.</p> <p>Management exercises judgment related to the expected amount and timing of future cash flows and discount rates applied for each cash flow forecast.</p> <p>During 2016, the Group has recognized impairment charges of USD 19.8 million related primarily to goodwill and other intangible assets.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Evaluating the historical accuracy of management's budgets and forecasts and challenged management on the current year cash flow forecasts as well as the timing on future cash flows;</li> <li>• Evaluating and challenging management on the growth assumption in the cash flow forecasts;</li> <li>• Obtaining and evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes. We also performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment;</li> <li>• Testing the mathematical accuracy of the models used to calculate value in use;</li> <li>• Assessing the reasonableness of the discount rates applied and</li> <li>• Assessing the adequacy of the disclosures related to impairment.</li> </ul>

#### Accounting treatment, presentation and disclosure of disposals

Refer to Note 16 Discontinued Operations in the Consolidated Financial Statements and Note 8 Investments in subsidiaries, associated companies and other shares and Note 15 Discontinued Operations in the Parent Company Financial Statements.

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>In 2016, the Group sold its Consumer and TV businesses in separate transactions recognizing an aggregate gain of USD 510.7 million net of tax in the consolidated financial statements and USD 168.6 million in the parent company financial statements.</p> <p>The transactions are complex and require management to make significant judgments in the application of the accounting standards, the allocation of activities between continuing and discontinuing operations and to determine the fair value of certain non-cash consideration and sales price adjustments. Because of these issues, the financial significance of the transactions and considering that the historical</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Inspecting the sale and purchase agreements for the transactions and analyzing the rights and obligations of the Company and Group in the transactions;</li> <li>• Analyzing the appropriateness of transaction fees recognized;</li> <li>• Analyzing the fair value of the considerations received and sales price adjustments;</li> <li>• Challenging the Parent and Group's assessment of costs allocated between continuing and discontinued operations;</li> </ul>

results and disclosures are restated to reflect the disposed businesses as discontinued operations, the transactions are a focus area of the audit.

- Testing the Company and Group's restatement of the comparative numbers and associated disclosures to assess whether the allocation of the prior year results between continuing and discontinued operations are reasonable; and
- Evaluating the adequacy of the disclosures

#### Fair value of provisions related to contingent consideration in business combinations

Refer to Note 11 Contingent liabilities and provisions and Note 13 Accounting estimates and judgments in the Consolidated Financial Statements

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The fair value of provisions related to contingent consideration in business combinations with a carrying value of USD 79.7 million as of 31 December 2016 is considered to be a risk area due to the size of the balance, the long-term period of estimation, and the inherent estimates related to projecting future business results.</p> <p>The net fair value amount is determined based on managements' assumptions by discounting probability weighted cash flows. Key assumptions applied in management's assumptions are future revenues and earnings before financial items, interest, taxes depreciation and amortization (EBITDA) results, and revenue from synergies with existing businesses, and the estimated timing of cash flows.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>• Evaluating the historical accuracy of management's forecasts by comparison of estimates to actual pay-outs and challenging management on the current year forecasts in comparison to the historical achieved results;</li> <li>• Assessing the discount rate applied and reasonableness of the weighting applied to probability weighted cash flows;</li> <li>• Assessing the timing of the revenue, EBITDA results and other contractual requirements; and</li> <li>• Evaluating the adequacy of the disclosures pertaining to estimation uncertainty and provisions.</li> </ul>

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, with the exception of the financial statements and the Independent auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory Requirements below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO ("Management") are responsible for the preparation and fair presentation of the financial statements of the Company and the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as





management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

##### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report including the statement on Corporate Social Responsibility and the separate statement on Corporate Governance concerning the financial statements, and the going concern assumption, and the proposal for allocating total comprehensive income is consistent with the financial statements and complies with the law and regulations.

##### Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that Management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 April 2017  
KPMG AS

Bjørn Kristiansen  
State Authorised Public Accountant





# Declaration of executive compensation policies

## **PART 1: POLICIES AND EXECUTIVE COMPENSATION EXCEPT SHARE-BASED INCENTIVES**

The Board of Directors has, in accordance with the Public Limited Liability Companies Act § 6-16a, developed policies regarding compensation for the Executive Team.

The objectives of the Executive Team compensation program are, in particular, to (i) attract, motivate, retain and reward the individuals on the Executive Team and (ii) ensure alignment of the Executive Team with the long-term interests of the shareholders. The Company's executive compensation program is intended to be performance driven and is designed to reward the Executive Team for both reaching key financial goals and strategic business objectives and enhancing shareholder value.

The most important components of Executive Team compensation are as follows: (i) base salary, (ii) cash-incentive bonus and (iii) long-term, equity-based incentives. Only the statement in part 2 "Share-based incentives", below, will be binding for the Board of Directors.

### 1. Base salary

Base salary is typically the primary component of Executive Team compensation and reflects the overall contribution of the executive to the Company. The determination of base salaries for the executives considers a range of factors, including (i) job scope and responsibilities, (ii) competitive pay practices, (iii) background, training and experience of the executive, and (iv) past performance of the executive at the Company. Adjustments to base salary are ordinarily reviewed every 12 months or longer by the Board.

### 2. Cash incentive bonus

The Company uses a cash-incentive bonus to focus the Executive Team members on, and reward the Executive Team members for, achieving key corporate objectives, which typically involve a fiscal-year performance period. Key drivers of cash-incentive bonuses for the Executive Team are typically corporate financial

and operational performance. Cash-incentive bonuses tied to strategic business objectives, which may be individual to or shared among the Executive Team members, may also be considered as part of the cash-incentive bonus. The determination of the total bonus that can be potentially earned by an executive in a given year is based on, among other factors, the executive's current and expected contributions to the Company's performance, his or her position within the Opera Executive Team, and competitive compensation practices. Any cash-incentive bonus is capped, so no member of the Executive Team can be awarded more than 200% of his or her on-target cash-incentive bonus unless the Board of Directors makes exemptions in particular cases.

In 2016, the Board approved the Executive Compensation Plan for FY 2016, applicable to all Executive Team members.

The cash-incentive bonus for 2016 was based on achievement of certain Corporate Results.

For the 2016 Corporate Results component, 50% was tied to meeting the FY 2016 Reported Revenue target for the Company and 50% to meeting the FY 2016 Reported Adjusted EBITDA (excluding for extraordinary one-time costs) target for the Company. The Board believes that Revenue and Adjusted EBITDA are key financial measures of the operational performance of the Company. Revenue is a fundamental measure of our success at selling our solutions, growing users for our products and services, innovating and competing in the marketplace. Adjusted EBITDA is a very good indicator of pre-tax profit generation of the Company, as it eliminates the effects of events that either are not part of our core operations or are non-cash such as depreciation related to strategic acquisitions and stock-based compensation.

Based on the FY 2016 Executive Compensation Plan, there were no interim, intra-year payments, no bonus based on Corporate Results was paid or earned for attainment of Revenue below 90% achievement, and the Company had to meet at least 80% of the FY 2015 Reported



Adjusted EBITDA (including extraordinary one-time costs, but excluding advisory costs associated with Opera's acquisition-related activities) target component to award any bonus associated with the FY 2015 revenue target.

Provided the aforementioned conditions were met for Reported Revenues and Reported Adjusted EBITDA (excluding extraordinary one-time costs, and other advisory costs associated with Opera's acquisition-related activities), the bonus was calculated as follows: from 80%-100%, bonus percentage achievement was interpolated based on a 30% bonus at 80% achievement and a 100% bonus at 100% achievement, and, from 100%+ achievement, bonus percentage achievement was interpolated based on a 100% bonus at 100% achievement and a 200% bonus at 110% achievement. Total bonuses paid for the fiscal year for Corporate Results under the plan could not exceed 200% of the bonus opportunity for each Corporate Result component for any one individual.

In 2017, the Board approved the Executive Compensation Plan for FY 2017. As a starting point, the cash-incentive bonus for FY 2017 for Executive Team members is based on Corporate Results for FY 2017. Certain members of the Executive Team may, however, have a portion of his or her cash-incentive bonus tied to individualized, strategic business targets linked to his or her particular area of responsibility.

For the Corporate Results component, 50% is tied to meeting certain FY 2017 Reported Revenue targets for the Company and 50% to meeting certain FY 2017 Reported Adjusted EBITDA (excluding extraordinary one-time costs) targets for the Company. Based on the FY 2017 Executive Compensation Plan, there are no interim or intra-year payments. Any cash bonus is capped at 200% of base salary.

### 3. Severance-payment arrangements

Pursuant to Section 15-16 second subsection of the Norwegian 2005 Act relating to Employees' Protection, CEO Lars Boilesen has waived his rights under Chapter 15 of the Act. As compensation, he is entitled to a severance payment of two years' base salary if his employment is terminated by the Company. If the CEO has committed a gross breach of his duty or other serious breach of the contract of employment, the employment can be terminated with immediate effect without any right for the CEO to the mentioned severance payment.

Except for the CEO as described above, the employment agreements for the members of the Executive Team have no provisions with respect to severance payments if a member of the Executive Team should leave his or her position, whether voluntarily or involuntarily. Severance payment arrangements, if any, will thus be based on negotiations between the Company and the relevant member of the Executive Team on a case-by-case basis.

### 4. Pension

Members of Executive Team participate in regular pension programs available for all employees of Company. For members of the Executive Team based in Norway, an additional pension agreement is in place. This agreement is based on a defined-contribution scheme and contributes 20% of salary over 12G.

## **PART 2: SHARE-BASED INCENTIVES**

### 1. Existing programs

The Company currently has two equity-based incentives: ordinary stock options and Restricted Stock Units ("RSU"). The RSU program has replaced the previous stock-option program, but already-granted and not exercised or terminated stock options are still outstanding. No new stock options will be issued under the previous stock-option program.

### 2. Vesting criteria for existing RSUs

For members of the Executive Team, the RSUs are typically linked to achievement of further specified targets related to reported revenue and reported adjusted EBITDA. All RSUs previously granted to members of the Executive Team, have been issued with vesting criteria which are in accordance with the approvals given by the Annual General Meeting held in 2014, the Annual General Meeting in 2015, and/or the Extraordinary General Meeting held in January 2016.

## **PART 3: 2016 COMPLIANCE**

In 2016, the Executive Team received base salaries and cash-incentive bonuses in line with the Executive Compensation Policy as presented to the 2016 Annual General Meeting, except for the following: The CEO's cash bonus for the financial year exceeded 200% of his base salary. This was separately approved by the Board and is primarily explained by several, major transactions undertaken and completed during the year. As a result of both the consumer business and the TV business being sold in 2016, no relevant full year numbers were applicable to calculate attainment for the cash - incentive bonus. The Board decided, based on fair treatment, to base the cash - incentive bonus on the same basis as the calculation done for the discontinued operations (Consumer business) at transaction date. The attainment was calculated at 83% and was used across the discontinued and continued business for 2016.


Increases in base salaries and cash-incentive bonuses for FY 2016 have been given based on individual merit and to ensure closer alignment with competitive pay practices.

Total compensation earned for the Executive Team in FY 2016 is summarized in note 3 of the consolidated financial statements.

During 2016, no deviations from the existing share-based compensation programs as previously approved were made with respect to the Executive Team.







Quote:  
**Opera strongly believes that strong corporate governance creates higher firm value.**

## Principles of Corporate Governance at Opera Software ASA

### General principles, implementation and reporting on corporate governance

Opera Software ASA ("Opera" or the "Company") strongly believes that strong corporate governance creates higher shareholder value. As a result, Opera is committed to maintaining high standards of corporate governance. Opera's principles of corporate governance have been developed in light of the Norwegian Code of Practice for corporate governance (the "Code"), dated October 30, 2014, as required for all listed companies on the Oslo Stock Exchange. The Code is available at [www.nues.no](http://www.nues.no). The principles are further developed and are in accordance with section 3-3b and section 3-3c of the Norwegian Accounting Act, which can be found at [www.lovdata.no/all/nl-19980717-056.html/](http://www.lovdata.no/all/nl-19980717-056.html/). Opera views the development of high standards of corporate governance as a continuous process and will continue to focus on improving the level of corporate governance.

The Board of Directors has the overall responsibility for corporate governance at Opera and ensures that the Company implements sound corporate governance. The Board of Directors has defined Opera's basic corporate values, and the Company's ethical guidelines and guidelines on corporate social responsibility are in accordance with these values.

### Opera's activities

Opera's vision is that we are shaping an open, connected world. This is reflected in Article 3 of the Articles of Association, which reads, "The Company's business shall be to develop, produce and sell software and associated services and all activities related thereto, including participation in other companies and other activities with similar purposes." However, reaching this goal is about much more than leading the innovation of web technologies. Our business is based on close relationships with customers, partners, investors, employees, friends, and communities all over the world — relationships we are committed to developing by conducting our business openly and responsibly. Our corporate policies are developed in order to be true to this commitment.

### CSR guidelines

The Board of Directors has adopted corporate social responsibility ("CSR") guidelines. The CSR guidelines cover a range of topics including human rights, employee relations, health, environment & safety, anti-discrimination and anti-corruption. Opera reports to the UN Global Compact. Opera respects and supports the Global Compact's ten principles in

the areas of Human Rights, Labor, Environment and Anti-Corruption.

### Equity and dividends

The Company's equity is considered to be adequate relative to Opera's financial objectives, overall strategy and risk profile.

It is Opera's policy to maintain a solid equity ratio. Opera believes our need for growth can be met while also allowing for a dividend distribution, as long as the Company is reaching its target growth and cash-generation levels. For this reason, the Company will consider continuing to pay dividends over the next years. Dividend payments will be subject to approval by the shareholders at the Company's Annual General Meetings. Any proposal to the General Meeting to grant the Board of Directors an authorization to approve the distribution of dividends will be presented for a vote at the Annual General Meeting.

Authorizations granted to the Board of Directors to increase the Company's share capital will be restricted to defined purposes and will, in general, be limited in time to no later than the date of the next Annual General Meeting. To the extent that an authorization to increase the share capital shall cover issuance of shares under employee stock incentive schemes and other purposes, the Company will consider presenting the authorizations to the shareholders as separate items.

The Board of Directors may also be granted the authority to acquire own shares. Authorizations granted to the Board of Directors to acquire own shares will also be restricted to defined purposes. To the extent that an authorization to acquire own shares shall cover several purposes, the Company will consider presenting the authorization to the shareholders as separate items. Such authority, by statute, may apply for a maximum period of 2 years and will state the maximum and minimum amount payable for the shares. Opera will, however, in general limit the duration of such authorizations to 1 year. In addition, an authorization to acquire own shares will state the highest nominal value of the shares that Opera may acquire, as well as the mode of acquiring and disposing of own shares. Opera may not at any time hold more than 10% of the total issued shares as own shares.

### Equal treatment of shareholders and transactions with close associates

A key concept in Opera's approach to corporate governance is the equal treatment of shareholders. Opera has one class of shares,



and all shares are freely transferable (with possible exceptions due to foreign law restrictions on the sale and offering of securities). All shares in the Company carry equal voting rights. The shareholders exercise the highest authority in the Company through the General Meeting. All shareholders are entitled to submit items to the agenda and to meet, speak and vote at the General Meeting.

Any decision to waive the preemption rights of existing shareholders to subscribe for shares in the event of an increase in share capital will be presented for a vote at the Annual General Meeting. Where the Board of Directors resolves to carry out an increase in the share capital and waive the preemption rights of the existing shareholders on the basis of a mandate granted to the Board, an explanation will be publicly disclosed in a stock exchange announcement issued in connection with the increase of the capital.

In 2016, there have been no significant transactions outside the normal course of business with closely related parties.

If the Company should enter into a non-immaterial transaction with associated parties within Opera or with companies in which a director or leading employee of Opera or close associates of these have a material direct or indirect vested interest, those concerned shall immediately notify the Board of Directors.

Any such transaction must be approved by the Board of Directors, and, where required, be publicly disclosed to the market as soon as possible.

In the event of non-immaterial transactions between the Company and a shareholder, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties, the Board of Directors will arrange for a valuation to be obtained from an independent third party, unless the transaction requires the approval of the General Meeting.

The Company has an established and closely monitored insider-trading policy.

Any transaction the Company carries out in own shares will be carried out either through the stock exchange or at prevailing market prices if carried out in any other way.

#### **Freely negotiable shares**

Opera has no limitations on the transferability of shares and has one class of shares. Each share entitles the holder to one vote.

#### **General Meetings**

Through the General Meeting, the shareholders exercise the highest authority in the Company. General Meetings are held in accordance with the Code. All shareholders are entitled to submit items to the agenda and to meet, speak and vote at General Meetings. The Annual General Meeting is held each year before the

end of June. Extraordinary General Meetings may be called by the Board of Directors at any time. The Company's auditor or shareholders representing at least five percent of the total share capital may demand that an Extraordinary General Meeting be called.

General Meetings are convened by written notice to all shareholders with known addresses no later than 21 days prior to the date of the meeting. Proposed resolutions and supporting information, including information on how to be represented at the meeting, voting by proxy and the right to propose items for the General Meeting, are generally made available to the shareholders no later than the date of the notice. According to the Company's Articles of Association, attachments to the calling notice may be posted on the Company's website and not sent to shareholders by ordinary mail. Shareholders who wish to receive the attachments may request the Company to mail such attachments free of charge. Resolutions and the supporting information are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered in the meeting.

Shareholders who are unable to be present in the meeting are encouraged to participate by proxy, and a person who will be available to vote on behalf of shareholders as their proxy will be nominated. Proxy forms will allow the proxy holder to cast votes for each item separately. A final deadline for shareholders to give notice of their intention to attend the meeting or vote by proxy will be set in the notice for the meeting. Such deadline will be set as close as possible to the date of the General Meeting and under every circumstance, in accordance with the principles of section 5-3 of the Public Limited Companies Act.

The Chairman, Vice-Chairman, Chairman of the Nomination Committee, CEO, CFO and the auditor will, under normal circumstances and unless there are valid reasons to be absent, be present at the meeting in person. The Chairman for the meeting is generally independent. Notice, enclosures and protocol of meetings are available on Opera's corporate website <http://www.operasoftware.com/company/investors/>.

The General Meeting elects the members of the Board of Directors (excluding employee representatives), determines the remuneration of the members of the Board of Directors, approves the annual accounts, and decides such other matters, which by law, by separate proposal, or according to the Company's Articles of Association are to be decided by the General Meeting. The General Meeting will normally vote separately on each candidate for election for the Board of Directors, the Nomination Committee and any other corporate bodies to which members are elected by the General Meeting.

The Board of Directors may decide to allow electronic participation in General Meetings and will consider this before each General Meeting.







The minutes from General Meetings will be posted on the Company's website within 15 days after the General Meeting has been held. Information that a General Meeting has been held will be made public as soon as possible after the end of the meeting.

#### Nomination Committee

The Nomination Committee is a body established pursuant to the Articles of Association and shall consist of three to five members. The members and the chairperson are elected by the General Meeting. Members of the Nomination Committee serve for a two-year period, but may be re-elected. The current members of the Nomination Committee are Jakob Iqbal (Chairman), Kari Stautland and Nils Foldal. The members of the Nomination Committee are independent of the Board of Directors and the executive personnel. Currently, no member of the Nomination Committee is a member of the Board of Directors. Any member who is also a member of the Board of Directors will normally not offer himself or herself for re-election to the Board.

The tasks of the Nomination Committee are to propose candidates for election as shareholder-elected members of the Board of Directors and members of the Nomination Committee. The Nomination Committee will be encouraged to have contact with shareholders, the Board of Directors and the Company's Chief Executive Officer as part of its work on proposing candidates for election to the Board of Directors. The Committee cannot propose its own Committee members as candidates for the Company's Board of Directors. Further, the Committee shall make recommendations regarding the remuneration of the members of the Board of Directors. Its recommendations will normally be explained, and information about proposed

candidates will normally be given, no later than 21 days before the General Meeting. The tasks of the Nomination Committee are further described in the Company's Nomination Committee guidelines, as adopted by the Annual General Meeting held on June 14, 2011. Remuneration of the members of the Nomination Committee will be determined by the General Meeting. Information regarding deadlines for proposals for members to the Board of Directors and the Nomination Committee will be posted on Opera's corporate website. Please see <http://www.operasoftware.com/company/investors/nominations/> for further information regarding the Nomination Committee.

#### Corporate assembly

Opera does not have a corporate assembly, as the employees have voted, and the General Meeting in 2010 approved, that the Company should not have one.

#### Composition and independence of the Board of Directors

The Board of Directors has overall responsibility for the management of the Company. This includes a responsibility to supervise and exercise control of the Company's activities. The Board of Directors shall consist of 5-10 members, including employee representatives, if any. The proceedings and responsibilities of the Board of Directors are governed by a set of rules of procedure. It is the Company's intention that the members of the Board of Directors will be selected in the light of an evaluation of the Company's needs for expertise, capacity and balanced decision making, with the aim of ensuring that the Board of Directors can operate independently of any special interests and that the Board of Directors can function effectively as a collegial body.

The Chairman of the Board of Directors will be elected by the General Meeting unless statutory law prescribes that the Chairman must be elected by the Board of Directors. The Board members are encouraged to own shares in the Company. Please see [www.operasoftware.com/company/investors/board/](http://www.operasoftware.com/company/investors/board/) for a detailed description of the Board members, including share ownership. Pursuant to the Code, at least half of the shareholder-elected members of the Board of Directors shall be independent of the Company's management and its main business connections. At least two of the shareholder-elected members of the Board of Directors shall be independent of the Company's main shareholders, and all shareholder-elected directors are independent of the Company's management and main business connections. Executive personnel should normally not be included in the Board of Directors. Currently, no executive employee is a director. The term of office for members of the Board of Directors is two years unless the General Meeting decides otherwise, but a director may be re-elected.

#### The work of the Board of Directors

The conduct of the Board of Directors follows the adopted rules of procedure for the Board of Directors. A specific meeting and activity plan is adopted towards the end of each year for the following period, normally revisited twice a year. The Board of Directors will meet a number of times within a year, including for strategy meetings, and it will hold additional meetings under special circumstances. Its working methods are openly discussed. Between meetings, the Chairman and Chief Executive Officer update the Board members on current matters. There is frequent contact regarding the progress and affairs of the Company. Each Board meeting includes a briefing by one of the functional or department managers of the Company, followed by Q&A. The Board meetings are a continuous center of attention for the Board of Directors, ensuring executive personnel maintain systems, procedures and a corporate culture that promote high ethical conduct and compliance with legal and regulatory requirements. The Board of Directors has further established a Remuneration Committee and an Audit Committee. Currently, the Remuneration Committee and the Audit Committee each consists of two members. According to the Code, a majority of the members of each Committee should be independent from the Company. If the requirements for independence are not met, Opera will explain the reasons in our Annual Report. Currently, Audun W. Iversen (Chairperson), and Marianne Blystad are members of the Audit Committee, and Marianne Blystad (Chairperson), and Andre Christensen are members of the Remuneration Committee. The requirements for independence are thus met.

The Audit Committee's main responsibilities include following up on the financial reporting process, monitoring the systems for internal

control and risk management, having continuous contact with the appointed auditor, and reviewing and monitoring the independence of the auditor. The Board of Directors maintains responsibility and decision making in all such matters. Please see below under the section "Remuneration of the Executive Personnel" and the "Board Rules of Procedure" for the tasks to be performed by the Remuneration Committee. The Board will consider evaluating its work, performance and expertise annually, and any report from such evaluation will upon request be made available to the Nomination Committee. The Board plans to carry out a self-evaluation process in 2017. To ensure a more independent consideration of matters of a material character in which the Chairman of the Board of Directors is, or has been, personally involved, such matters will be chaired by some other member of the Board of Directors. Please see [www.operasoftware.com/company/investors/board/procedures/](http://www.operasoftware.com/company/investors/board/procedures/) for further information regarding the Rules of Procedure for the Board of Directors and the instructions for its Chief Executive Officer <http://www.operasoftware.com/company/investors/corpgov/>. The Company has also established Rules of Procedure for our executive personnel.

#### Risk management and internal control

##### Management and control

#### Board of Directors

The Board of Directors has overall responsibility for the management of the Company. This includes a responsibility to supervise and exercise control of the Company's activities. The Board has drawn up the rules of procedure for the Board of Directors of Opera. The purpose of these rules of procedure is to set out rules on the work and administrative procedures of the Board of Directors of Opera. The Board of Directors shall, among other things, ensure that the Company's business activities are soundly organized, supervise the Company's day-to-day management, draw up plans and budgets for the Company's activities, keep itself informed on the financial position of the Company, and be responsible for ensuring that the Company's activities, accounts, and asset management are subject to adequate control. In its supervision of the business activities of Opera, the Board of Directors will ensure that:

- The Chief Executive Officer uses proper and effective management and control systems, including systems for risk management, which continuously provide a satisfactory overview of Opera's risk exposure.
- The control functions work as intended and that the necessary measures are taken to reduce extraordinary risk exposure.
- There exist satisfactory routines to ensure follow-up of principles and guidelines adopted by the Board of Directors in relation to ethical behavior, conformity to law, health, safety and working environment, and social responsibility.
- Opera has a proper internal auditing system, capable of producing reliable annual reports.



- Directives from the external auditor are obeyed and that the external auditor's recommendations are given proper attention.

The Board's duties can be found on our corporate website in the document called "Rules of Procedure for the Board of Directors of Opera Software ASA" found at <http://www.operasoft-ware.com/company/investors/board/procedures/>.

#### Executive Team

Opera's Board has drawn up instructions for the Executive Team of the Company. The purpose of these instructions is to clarify the powers and responsibilities of the members of the Executive Team and their duty of confidentiality. The Executive Team conducts an annual strategy meeting with the Board of Directors. The strategy meeting focuses on product, sales, marketing, financial, organizational and the corporate development strategy for the Group. The Board of Directors has ensured that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The Company has performed a scoping of the financial risks in the Company and has established written control descriptions and process descriptions. The controls are executed on a monthly, quarterly or yearly basis, depending on the specific control. The internal controls and systems also encompass the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility. The Board of Directors carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements. In December 2016, all Board members confirmed that they had read and complied with the Code of Conduct during the term of their directorship.

The Group's CFO is responsible for the Group's control functions for risk management and internal control. Opera publishes four interim financial statements in addition to the annual report. The financials are published on the Oslo Stock Exchange. Given the importance of providing accurate financial information, a centralized corporate control function and risk management function has been established ultimately consisting of the group corporate and business controllers. The corporate and business controller tasks are, among other things, to perform management's risk assessment and risk monitoring across the group's activities, to administer the Company's value-based management system and to coordinate planning and budgeting processes and internal controls reporting to the Board of Directors and Executive Team. The corporate and business controllers report into the CFO.

The Finance department prepares financial reporting for the Group and ensures that reporting is in accordance with applicable laws, accounting standards, established accounting principles and the Board's guidelines. The Finance department provides a set of procedures

and processes detailing the requirements with which local reporting units must comply. The Group has established processes and a variety of control measures that will ensure quality assurance of financial reporting. A series of risk assessment and control measures have been established in connection with the preparation of financial statements. Reporting instructions are communicated to the reporting units each month, following internal meetings when the reporting units have submitted their group reports, and the business controllers have reviewed the reporting package with the purpose of identifying any significant misstatements in the financial statements. Based on the reported numbers from the reporting units, the Finance department consolidates the Group numbers. Several controls are established to ensure the correctness of the consolidation, e.g., control types such as reconciliation, segregation of duties, management review and authorization. The Group CFO, the Group Chief Accounting Officer and leaders of the reporting units are responsible for (i) the ongoing financial reporting and for implementing sufficient procedures to prevent errors in the financial reporting, (ii) identifying, assessing and monitoring the risk of significant errors in the Group's financial reporting, and (iii) implementing appropriate and effective internal controls in accordance with specified group requirements and for ensuring compliance with local laws and requirements. All reporting units have their own management, and the financial functions are adapted to the organization and activities. All monthly and quarterly operations reports are analyzed and assessed relative to budgets, forecasts and historical trends.

The Executive Team analyzes and comments on the financial reporting and business results of the Group on a quarterly basis. Critical issues and events that affect the future development of the business and optimal utilization of resources are identified, and action plans are put in place, if necessary.

The Audit Committee oversees the process of financial reporting and ensures that the Group's internal controls and the risk management systems are operating effectively. The Audit Committee performs a review of the quarterly and annual financial statements, which ultimately are approved by the Board of Directors.

#### Other guidelines

As an extension of the general principles and guidelines, Opera has drawn up additional guidelines.

#### *Ethical and corporate social responsibility guidelines*

The Board of Directors has adopted Ethical and Corporate Social Responsibility Guidelines that contain the basic principles that Opera will follow with respect to our ethical guidelines and our corporate social responsibilities ("CSR"). The guidelines contain the basic principles describing the rules governing

business practice, personal conduct, and roles and responsibilities, ultimately describing topics including human rights, employee relations, health, environment & safety, anti-corruption and anti-discrimination. These general principles and guidelines apply to all employees and officers of the Group.

#### *Information security*

Opera has guidelines and information policies covering information security roles, responsibilities, training, contingency plans, etc.

#### *Financial policies*

Opera has established comprehensive internal procedures and systems to mitigate risks and to ensure reliable financial reporting.

#### *Investor-relations guidelines*

Opera is committed to reporting financial results and other relevant information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. To ensure that correct information be made public, as well as ensuring equal treatment and flow of information, the Company's Board of Directors has approved an IR Policy. A primary goal of Opera's investor-relations activities is to provide investors, capital-market players and shareholders with reliable, timely and balanced information for investors, lenders and other interested parties in the securities market, to enhance understanding of our operations.

#### **Remuneration of the Board of Directors**

Remuneration for Board members is a fixed annual sum proposed by the Nomination Com-

mittee and approved at the Annual General Meeting. The remuneration reflects the responsibility, qualifications, time commitment and the complexity of their tasks in general. No Board members (or any company associated with such member) elected by the shareholders have assumed special tasks for the Company beyond what is described in this document, and no such member (or any company associated with such member) has received any compensation from Opera other than ordinary Board of Directors remuneration. All remuneration to the Board of Directors is disclosed in note 3 to the Annual Report.

A large number of the Company's shareholders are international investors with a different view on some of the recommendations in the Code. Hence, some of Opera's directors carry stock options in the Company, as disclosed in note 3 to the Annual Report. This practice will be further limited in the future, but it will not be excluded as a tool to enhance the interest of any particular international expert or senior executive to join the Board of Directors. Any grant of stock options to Board members will, however, be subject to specific approval by the General Meeting. Any Board member who takes on assignments for the Company in addition to his or her appointment as a Board member will disclose such assignments to the Board of Directors, which will determine the appropriate remuneration for the assignment in question.

#### **Remuneration of executive personnel**

A Remuneration Committee has been established by the Board of Directors. The Committee shall act as a preparatory body for the Board of





Directors with respect to (i) the compensation of the CEO and other members of the Executive Team and (ii) Opera's corporate governance policies and procedures, which, in each case, are matters for which the Board of Directors maintains responsibility and decision making.

Details concerning remuneration of the executive personnel, including all details regarding the CEO's remuneration, are given in note 3 to the Annual Report. The performance-related remuneration to executive personnel is subject to an absolute limit. The Board of Directors assesses the CEO and his terms and conditions once a year. The General Meeting is informed about incentive programs for employees, and, pursuant to section 6-16 a) of the Public Limited Companies Act, a statement regarding remuneration policies for the Executive Team will be presented to the General Meeting. The Board of Director's statement on the remuneration of the Executive Team will be a separate appendix to the agenda for the General Meeting. The Company will also normally make clear which aspects of the guidelines are advisory and which, if any, are binding. The General Meeting will normally be able to vote separately on each of these aspects of the guidelines. In addition, the Board of Directors' declaration on the compensation policies of the Executive Team is included in a separate section to the Annual Report.

**Information and communications**

Communication with shareholders, investors and analysts is a high priority for Opera. The Company believes that objective and timely information to the market is a prerequisite for a fair valuation of the Company's shares and, in turn, the generation of shareholder value. The Company continually seeks ways to enhance our communication with the investment community.

The Opera corporate website (<http://www.operasoftware.com/company/investors/>) provides the investment community with information about the Company, including a comprehensive investor-relations section. This section includes the Company's investor-relations policy, annual and quarterly reports, press releases and stock-exchange announcements, share price and shareholding information, a financial calendar, an overview of upcoming investor events, and other relevant information.

During the announcement of quarterly and annual financial results, there is a forum for shareholders and the investment community to ask questions of the Company's management team. Opera also arranges regular presentations in Europe and the United States, in addition to holding meetings with investors and analysts. Important events affecting the Company are reported immediately to the Oslo Stock Exchange in accordance with applicable legislation and posted on <http://www.operasoftware.com/company/investors/>. All material information is disclosed to recipients equally in terms of content and timing.

The Board has further established an IR-policy for contact with shareholders and others beyond the scope of the General Meeting.

**Takeovers**

The Board of Directors endorses the recommendation of the Code. Opera's Articles of Association do not contain any restrictions, limitations or defense mechanisms on acquiring the Company's shares.

In accordance with the Securities Trading Act and the Code, the Board has adopted guidelines for possible takeovers.

In the event of an offer, the Board of Directors will not seek to hinder or obstruct takeover bids for Opera's activities or shares. Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for the Company's shares will only be entered into where the Board believes it is in the common interest of the Company and its shareholders.

Information about agreements entered into between the Company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same time as the announcement of an impending bid is published.

If an offer is made for the shares of Opera, the Board of Directors will make a recommendation as to whether the shareholders should or should not accept the offer and will normally arrange for a valuation from an independent expert.

**Auditor**

The auditor participates in meetings of the Board of Directors that deal with the annual accounts, as well as upon special request. Every year, the auditor presents to the Audit Committee a report outlining the audit activities in the previous fiscal year and highlighting the areas that caused the most attention or discussions with management, as well as a plan for the work related to the Company's audit. The auditor also reports on internal control observations during the conduct of the audit, including identified weaknesses and proposals for improvement. The auditor will make himself available upon request for meetings with the Board of Directors during which no member of the executive management is present at least once each year, as will the Board of Directors upon the auditor's request. The General Meeting is informed about the Company's engagement and remuneration of the auditor and for fees paid to the auditor for services other than the annual audit, and details are given in note 3 to the Annual Report.



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