

SECOND QUARTER - 2004



Opera Software ASA
Waldemar Thranesgate 98
P.O. Box 2648, St. Hanshaugen
NO-0175 Oslo, Norway
Telephone: (+47) 24 16 40 00
Telefax. (+47) 24 16 40 01
www.opera.com

FINANCIAL STATEMENT – SECOND QUARTER 2004

PROFIT AND LOSS ACCOUNT <i>(Figures in TNOK)</i>	Second Quarter		Accumulated		Full year
	2003	2004	2003	2004	2003
Revenues, PC/Desktop	3 971	7 208	9 434	14 236	23 307
Revenues, Internet Devices	15 277	15 986	22 253	30 687	55 224
Other income	0	87 565	0	87 565	0
Total Operating Revenues	19 248	110 759	31 687	132 488	78 531
Payroll and related expenses	10 022	14 780	23 235	30 946	51 315
Depreciation and amortization	803	696	1 573	1 375	2 724
Other operating expenses	6 254	5 309	11 061	13 589	23 227
Total operating expenses	17 079	20 785	35 869	45 910	77 266
Earnings Before Interest and Tax ("EBIT")	2 169	89 974	-4 182	86 578	1 265
Net financial items	193	-225	198	916	540
Earnings Before Tax ("EBT")	2 362	89 749	-3 983	87 494	1 805
Taxes	-771	-25 577	895	-25 160	-1 429
Earnings After Tax ("EAT")	1 591	64 172	-3 088	62 334	376
Earnings per share	0.019	0.653	-0.055	0.636	0.00
Earnings per share fully diluted	0.016	0.572	-0.055	0.557	0.00

BALANCE SHEET <i>(Figures in TNOK)</i>	30. June		31-Dec
	2003	2004	2003
Assets			
Deferred taxes	21 721	533	21 348
Goodwill	3 929	2 357	3 143
Tangible assets	1 337	1 960	1 483
Other current assets	21 504	36 494	37 412
Cash and cash equivalents	34 097	234 996	28 388
Total assets	82 588	276 340	91 774
Liabilities & equity			
Paid in capital	74 966	199 095	79 516
Retained earnings	0	62 796	461
Short-term liabilities	7 622	14 449	11 797
Total liabilities & equity	82 588	276 340	91 774

CASH FLOW STATEMENT <i>(Figures in TNOK)</i>	Second Quarter		Accumulated		Full year
	2003	2004	2003	2004	2003
Cash flow from operating activities	-11 045	99 142	-16 647	91 989	-20 937
Cash flow from investment activities	0	-348	0	-1 068	-594
Cash flow from financing activities	41 728	-9 665	41 728	115 687	40 903
Change in cash and cash equivalents	30 683	89 129	25 081	206 608	19 372
Cash and cash equivalent, beginning of period	3 414	145 867	9 016	28 388	9 016
Cash and cash equivalent, end of period	34 097	234 996	34 097	234 996	28 388

EQUITY <i>(Figures in TNOK)</i>	Accumulated per 30. June		Full year
	2003	2004	2003
Opening balance	26 506	79 977	26 506
Net profit/loss	-2 868	62 334	376
Equity issues	51 332	119 590	53 095
Other	-3	-10	0
Closing balance	74 966	261 891	79 977

INTERIM RESULTS <i>(Figures in TNOK)</i>	Q1	Q2	Q3	Q4	Q1	Q2
	2003	2003	2003	2003	2004	2004
Total operating revenues	12 439	19 248	18 041	28 802	21 729	110 759
EBIT	-6 351	2 169	-1 024	6 462	-3 396	89 974
Sales growth quarter by quarter (%)	-9.8%	54.7%	-6.3%	59.6%	-24.6%	409.7%
Pre-tax earnings per share (NOK)	-0.08	0.02	-0.01	0.06	-0.02	0.65
Pre-tax earnings per share (NOK) fully diluted	-0.08	0.02	-0.01	0.05	-0.02	0.57

Note: The quarterly financial statement is based on the same principles as the annual accounts. All accounts are made in accordance with NRS 11.

OPERA SOFTWARE ASA – SECOND QUARTER 2004

Highlights

- Opera settled legal claims with an international corporation resulting in payment to Opera of net USD 12.75 million. The other party is not a customer of Opera and the settlement does not negatively impact future revenues
- Revenues, excluding the legal settlement, of MNOK 23.2 in Q2 2004, up from MNOK 19.2 in 2Q 2003, a growth of 20.5%
- Earnings before interest and tax (“EBIT”), excluding the legal settlement, of MNOK 2.4 in 2Q04 compared to MNOK 2.1 in 2Q03
- The US edition of PC World unveiled the 2004 winners of its annual World Class Awards, with Opera 7.23 gaining the title as best Web browser
- The number of units sold that included the Opera browser, was 1.466 million in 1Q04 compare to 217 thousand units in 1Q03. As Opera gets the sales number reported from its customers up to eight weeks after an actual quarter ends, there is a one quarter delay in this reporting. The revenue from units sold in 1Q04 is treated as ordinary income in 2Q04.

Financials

Income in the second quarter of 2004 (“2Q04”) was MNOK 110.8, including extraordinary income of MNOK 87.6 received in a legal settlement. Accumulated income for the year was MNOK 132.5, up from MNOK 31.7 in 2003.

Ordinary income in 2Q04 was MNOK 23.2, up from MNOK 19.2 in 2Q03, an increase of 20.5% on a year-to-year basis. Accumulated ordinary income for the year 2004 were MNOK 44.9 compared to MNOK 31.7 in 2003, a growth of 41.8%.

Income from Internet devices was MNOK 16.0 in 2Q04, up from MNOK 15.3 in 2Q03. Income from desktop products was MNOK 7.2, up from MNOK 4.0 last year.

Operating costs increased from MNOK 17.1 in 2Q03 to MNOK 20.8 in 2Q04, a growth of 21.7%. Accumulated operating costs for the year were MNOK 45.9 compared to MNOK 35.8 in 2003, a growth of 28.0%.

EBIT in 2Q04 was MNOK 90.0. EBIT in 2Q04, excluding extraordinary income, was MNOK 2.4 and MNOK -0.9 accumulated for the year.

Cash and cash equivalents were MNOK 235.0 at the end of 2Q04.

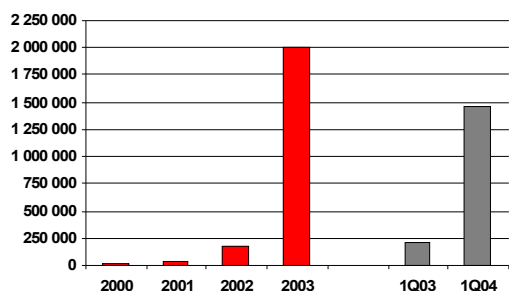
Internet Devices

The income from Internet devices grew from MNOK 15.3 in 2Q03 to MNOK 16.0 in 2Q04, a growth of 4.6%.

Mobile phones

Opera will in this quarterly report start disclosing the number of units sold that includes an Opera browser.

Number of phones/PDAs with the Opera browser included



As Opera gets the sales number reported from its customers up to eight weeks after an actual quarter ends, there will be a one quarter delay in this reporting. The revenue from units sold in 1Q04 is treated as ordinary income in 2Q04.

The number of units sold that included the Opera browser, was 1.466 million in 1Q04 compare to 217 thousand units in 1Q03. Approx. 20% of the units sold were prepaid. As the number of licenses sold increases over time, the percentage of prepaid licenses will decrease.

In April, it was announced that the Japanese OEM Kyocera had released the AH-K3001V with an Opera-branded softkey, making it the first phone in Japan that uses Opera to browse the full Internet.

In June Motorola announced the A1000 and in July the A780. Both phones will include Opera as the default browser. The A1000 is a 3G phone based on Symbian OS. The A780 is based on Linux/Java and supports EDGE, the latter a technology that gives GSM the capacity to handle services for the third generation of mobile telephony. Both phones will start shipping later this year.



Sony Ericsson P910 Motorola A1000 Motorola A780

In July, Sony Ericsson announced the P910 which will ship with Opera. The P910 will be available in retail 3Q04.

Opera also announced an agreement with an unnamed, major Asian mobile operator. Together with the operator, Opera will develop and deliver a new port of its browser based on Qualcomm’s BREW (Binary Runtime Environment for Wireless) application development platform for wireless devices equipped for Qualcomm’s CDMA (Code Division Multiple Access) technology. Opera expects its BREW port to open up for new opportunities in the North American and Asian mobile Internet markets. According to Qualcomm, more than 180 million users worldwide rely on CDMA technology.

In July, Opera signed an agreement with Datang Mobile Communications Equipment Co., Ltd., one of China’s largest government owned telecom equipment manufacturers. Datang Mobile will include Opera in their complete 3G mobile solution for their homegrown 3G network standard, TD-SCDMA. Datang Mobile’s solution with Opera is based on Linux and will be offered to handset manufacturers preparing for the standard. The TD-SCDMA is one of only three 3G standards in the world and is set to deploy in China by mid-2005. The agreement entails that Opera will retain a license fee per user.

iTV

Telsey, a leading manufacturer of IP Set Top Boxes, selected the Opera 7 browser for its WAVES product family. Opera 7 provides WAVES with a complete set of new browsing features to enable the customers to enjoy the most appealing and powerful user interfaces for interactive IP TV applications. i3 will deliver Opera 7 on its Mood Box IP set-top box (STB) products. Opera will display the STB’s user interface (UI), offer full access to the Internet, and enable features such as

Electronic Programming Guide (EPG), messaging, gaming and interactive services.

In June, Opera announced that it had selected a set of lacta LLC's Games4TV(tm) games for inclusion in its new Opera 7 iTV Software Development Kit (SDK). Manufacturers who license Opera 7 for new iTV devices will also be able to use the Games4TV set for testing and demonstration of their hardware to customers.

Desktop

Income from Desktop grew from MNOK 4.0 in 2Q03 to MNOK 7.2 in 2Q04, a growth of 81.5%.

Opera signed an exclusive distribution deal with the Japanese software distributor Livedoor Japan. Livedoor will be marketing and selling Opera's desktop versions, including Windows, Mac, and Linux, exclusively in the Japanese market as a regular download and as a packaged version on its portal page www.livedoor.jp. The packaged version will also be available in all of Livedoor's 3600 stores all over Japan. Livedoor is the largest ISP in Japan with 700 000 users.

In June, the US edition of PC World unveiled the 2004 winners of its annual World Class Awards, with Opera 7.23 gaining the title 'Best Web browser'. The magazine highlights Opera's many innovative features in its reasoning: "...a fleet-footed package that provides innovative ways to view, analyze, and store Web pages. Opera's security options are strong and easy to configure."

It was also announced that Xandros, the leading developer of easy-to-use Linux solutions, has included Opera with their new Open Circulation Edition of the Xandros Desktop operating system (OS), making it the first Linux desktop distribution to offer Opera as the default browser.

Continued innovation

Opera's emphasis on innovation continued to yield results in Q2.

In June, the Opera Mobile Accelerator was released, a proxy-based server solution that increases rendering speed on mobile devices up to 250%. Opera Mobile Accelerator also reduces the amount of transferred data traffic - thereby drastically reducing users' telecom bill.

The Accelerator is available to all on a subscription basis. Operators that want to offer subscribers fast and cheap Web browsing, while simultaneously reducing the impact of Web browsing on their data network, can also license the Mobile Accelerator directly from Opera.

In May, Opera released its version 7.50 on all major desktop platforms. The upgrade featured significant improvements to the user experience, including a revamped user interface; an enhanced built-in e-mail client that supports RSS newsfeeds; a contact database, and a new built-in chat client.

Also in May, Opera released version 6.20 of its mobile browser for Series 60, with features that substantially improve the user experience of the Web when using a small device, such as Content Magic and Tags. Opera's earlier browser for Series 60 has been the most popular application across the platform's devices with over 200,000 downloads in its short 6-month lifetime. Opera for Series 60 has also been licensed by both Nokia and Sendo for pre-deployment on handsets.

Organization

As of June 30, the company had 158 employees, compared to 145 employees by the end of March 2004 and 122 employees by the end of 2Q03.

Opera foresees further customer-driven organizational growth in 2004. New employees will mainly be working within the

development, quality assurance, documentation and sales departments.

Outlook

Due to increased market activity, the revenue growth is expected to continue. The organization will continue to grow due to increased customer demand. The costs are expected to grow at a lower pace than the ordinary income for 2004.

The operating costs will grow mainly due to the customer driven organizational needs in 2004.

Internet devices

The market for enhanced handsets continues to rise as handsets become more powerful and more applications become available. Two main factors continue to drive the market: the falling cost of building a mobile phone and the need for increased functionality and better services to make use of faster network speeds.

As advanced phones get cheaper and networks faster, the number of browser enabled phones is increasing and is expected to continue to do so. Opera believes that during the next years, most new phones will be able to run a HTML browser. With the relatively low cost of a browser compared to the revenue opportunity it represents, Opera expects that operators will request a browser to be pre-installed on most handsets.

iTV

Within the market for digital television, Opera believes general product innovation is accelerating as the market transitions to high-end set-top boxes. Opera believes that its proven, off-the-shelf technology with HTML, JavaScript, CSS and DOM capability is the key to simpler and cheaper hardware to deliver enhanced iTV applications. Opera today offers a range of different solutions, from content viewers for set-top boxes or advanced Web browsers for interactive TV solutions.

Opera believes that the switch to digital transmission for television will be the main driver for Opera's open standard based technology to be adopted by the mass-market.

Desktop

Opera believes that desktop revenue will continue to grow with the number of users. The company believes that advertising will become an increasingly important income generator.

Shareholder and Equity Related Issues

During 2Q04, Opera issued 1,850,250 new shares to its employees as part of the company's option program. As of June 30, 2004, the total number of shares outstanding was 99,002,997.

At the general meeting held on June 17, 2004 Nils Rydbeck, former CTO of Ericsson Mobile Phones AB, was elected as a new board member.

Oslo, August 11, 2004

The Board of Directors
Opera Software ASA

Christian H. Thommessen
Chairman
(sign.)

Jon S. von Tetzchner
CEO
(sign.)