



# Opera Software ASA

**2Q04 Results**

**August 12, 2004**

## Opera – Achievements in Q2 - 2004

### Technical

New Opera browser for Series 60, Opera 6.20

Opera 7.50 for Windows, Mac, Linux, FreeBSD and Solaris released

Opera launched Mobile Accelerator, a new proxy-based solution that increases rendering speed on mobile devices up to 250%

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

April

May

June

July

### Commercial

Kyocera launched the first Opera phone in Japan

Opera signed distribution deal with the Japanese software distributor livedoor

Xandros Open Circulation Desktop Operating System becomes First Linux Distribution to Offer Opera as Default Browser

Three new handsets announced (Motorola A1000 and A780, SE P910)

Datang includes Opera in their complete 3G mobile solution

Opera has announced an agreement with KDDI, Japan`s second largest mobile operator and the leading provider of 3G mobile services

## Financial Highlights – 2Q04

- **Growth in ordinary income of 20% in Q2, accumulated growth of 41%**
- **Positive earnings**
- **Positive operational cashflow (ex. settlement) of MNOK 11.9**
- **Strong growth in number of units shipped**
- **Cost developing as planned**
- **Increased financial strength through settlement of net US\$ 12.75 million**

## Financial Highlights – 2Q04

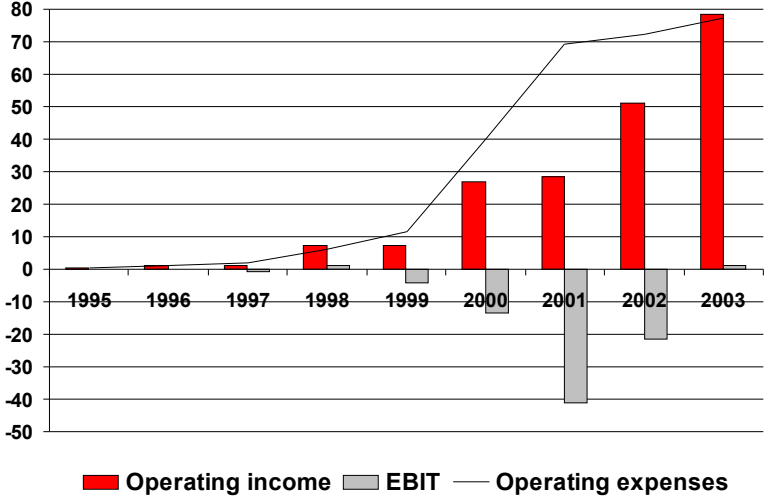
PROFIT AND LOSS ACCOUNT <i>(Figures in TNOK)</i>	Second Quarter		Accumulated		Full year
	2003	2004	2003	2004	2003
Revenues, PC/Desktop	3 971	7 208	9 434	14 236	23 307
Revenues, Internet Devices	15 277	15 986	22 253	30 687	55 224
Other income	0	87 565	0	87 565	0
<b>Total Operating Revenues</b>	<b>19 248</b>	<b>110 759</b>	<b>31 687</b>	<b>132 488</b>	<b>78 531</b>
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
<b>Total operating expenses</b>	<b>17 079</b>	<b>20 785</b>	<b>35 869</b>	<b>45 910</b>	<b>77 266</b>
<b>Earnings Before Interest and Tax (“EBIT”)</b>	<b>2 169</b>	<b>89 974</b>	<b>-4 182</b>	<b>86 578</b>	<b>1 265</b>
Net financial items	193	-225	198	916	540
<b>Earnings Before Tax (“EBT”)</b>	<b>2 362</b>	<b>89 749</b>	<b>-3 983</b>	<b>87 494</b>	<b>1 805</b>
Taxes	-771	-25 577	895	-25 160	-1 429
<b>Earnings After Tax (“EAT”)</b>	<b>1 591</b>	<b>64 172</b>	<b>-3 088</b>	<b>62 334</b>	<b>376</b>
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

## Financial Highlights, Cont'd

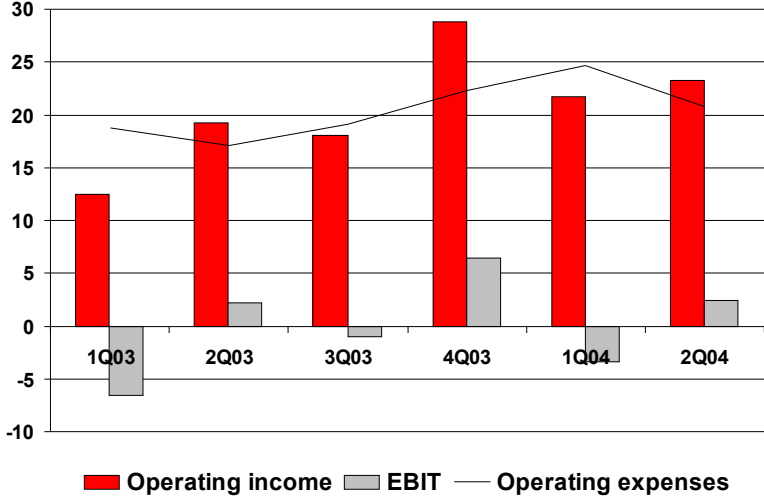
<b>BALANCE SHEET</b> <i>(Figures in TNOK)</i>	<b>30. June</b>		<b>31-Dec</b>
	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Assets</b>			
Deferred taxes	21 721	533	21 348
Goodwill	3 929	2 357	3 143
Tangible assets	1 337	1 960	1 483
Other current assets	21 504	36 494	37 412
Cash and cash equivalents	34 097	234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

# Growth trend confirmed

### Per year

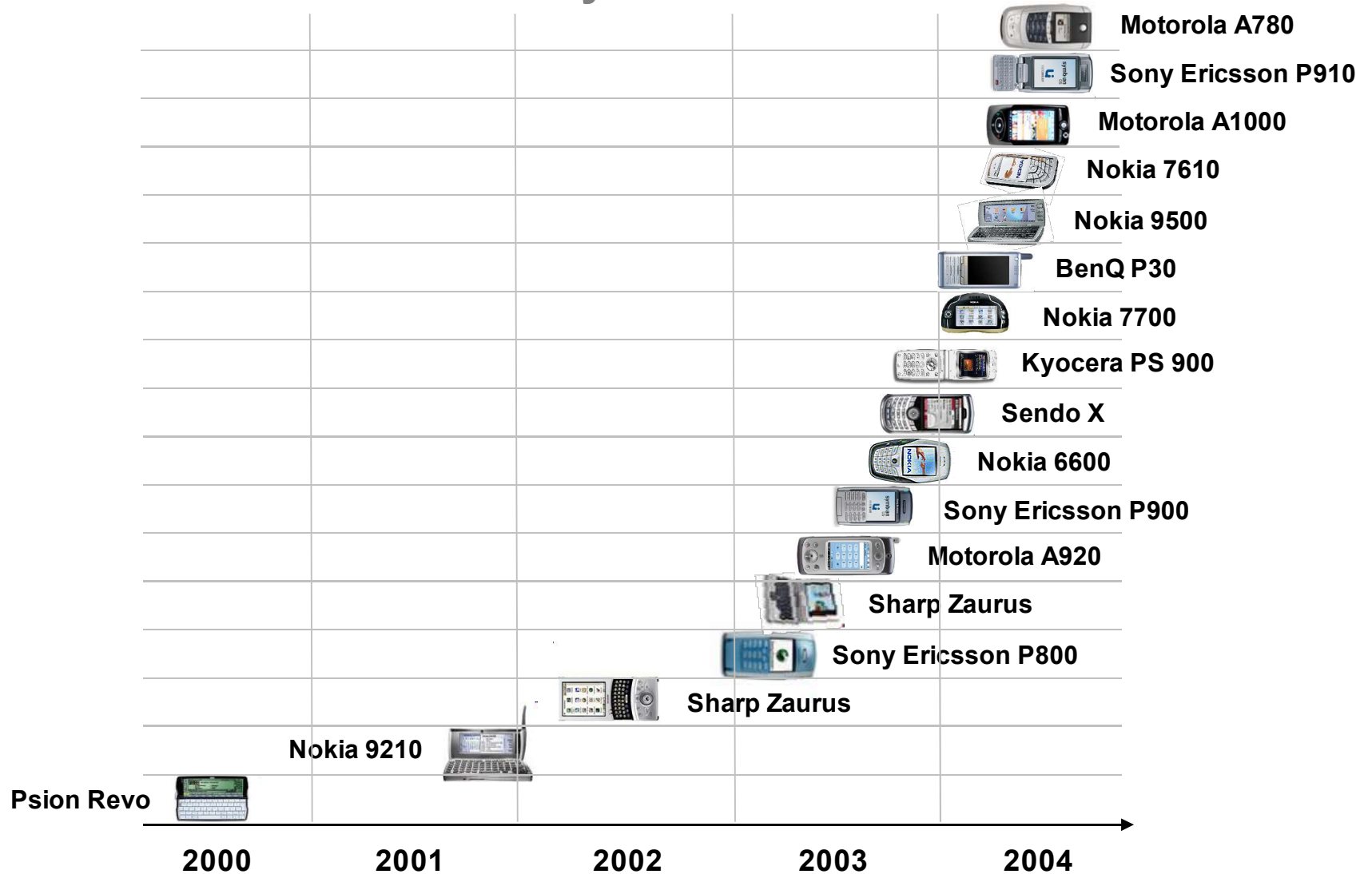


### Per quarter\*

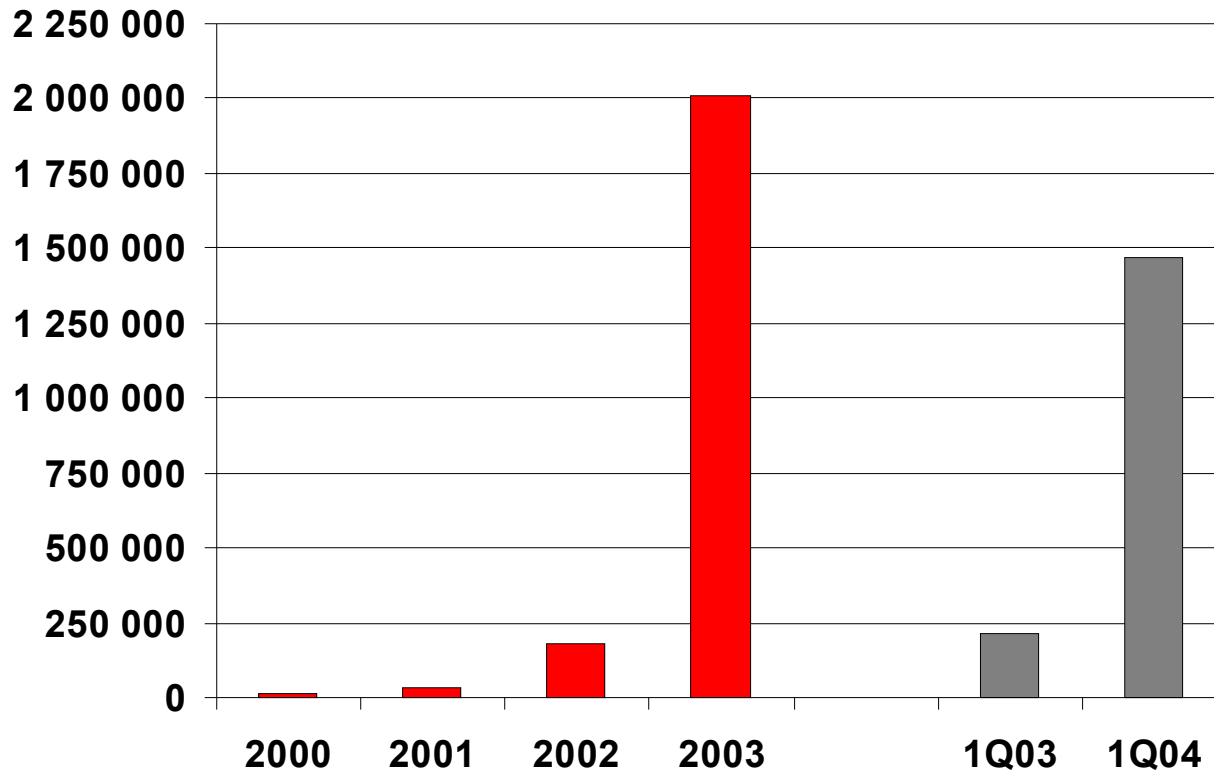


\*: Excluding extraordinary income

# New devices continuously announced



## Strong growth in number of phones/PDAs sold



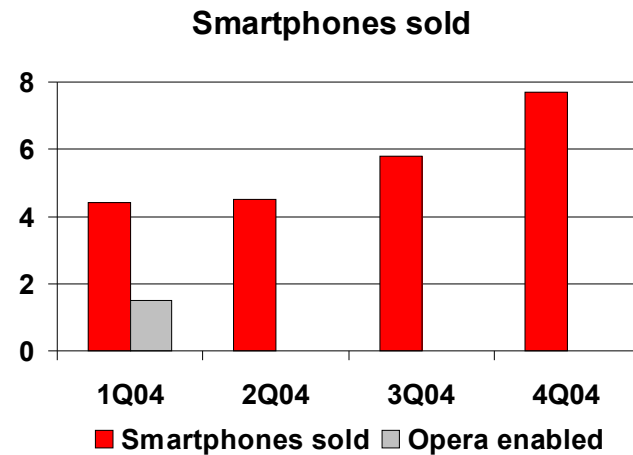
*\* As Opera gets the sales number reported from its customers up to eight weeks after an actual quarter ends, there will be a one quarter delay in this reporting. The revenue from units sold in 1Q04 is treated as ordinary income in 2Q04.*

## Strong market growth expected by industry analysts\*

Type of phone	2003	2004	2005
Market	488	595,3	637
Feature phones	102	145,2	193,4
<b>Smartphones</b>	<b>10,3</b>	<b>22,4</b>	<b>44,0</b>
Feature phone share	21 %	24 %	30 %
Smart phone share	2 %	4 %	7 %

Type of phone	1Q04	2Q04	3Q04	4Q04
Market	140	145	147	163
Feature phones	30	31	30	54
<b>Smartphones</b>	<b>4,4</b>	<b>4,5</b>	<b>5,8</b>	<b>7,7</b>
Feature ph. share	21 %	21 %	20 %	33 %
Smart phone share	3 %	3 %	4 %	5 %

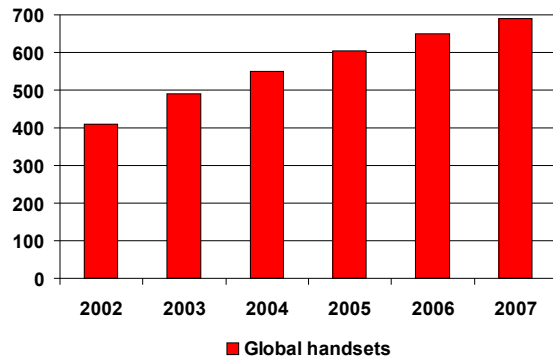
Volumes	1Q04	2Q04	3Q04	4Q04
Symbian sm. Ph.	2,4	2,6	3,5	4,5
MSFT smartphone	0,2	0,1	0,2	0,5
BREW smartphone	1,3	1,3	1,4	1,7
Other smartphone	0,5	0,6	0,7	0,9
Total	4,4	4,6	5,8	7,6



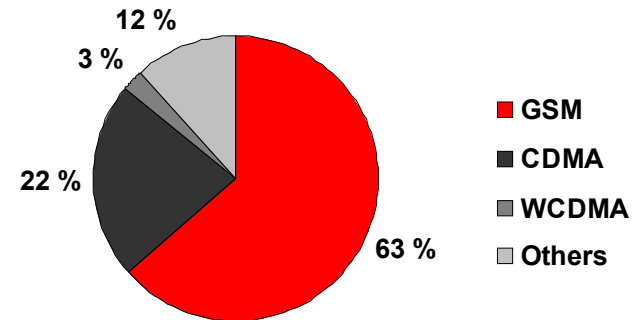
\* Source: Nomura International

# Mobile phones becomes more advanced – faster networks allows increased functionality

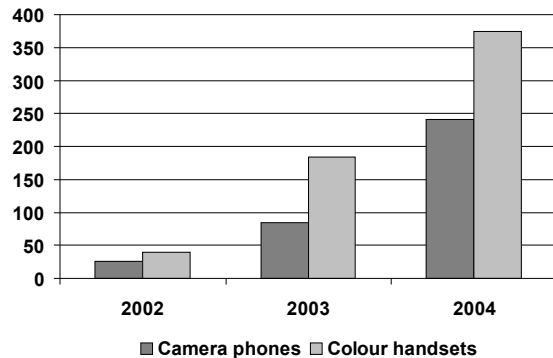
**Handsets sold globally**



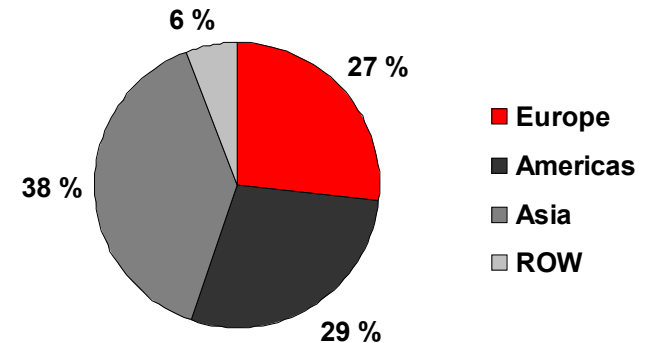
**Global handsets sold by technology – 2004E**



**Global handsets by functionality – 2004E**



**Global handsets sold by region – 2004E**



Source: UBS Investment Research

## Financial outlook – 2004

- ❑ Market evolving as expected
- ❑ License income to grow in importance during 2004 – substantial growth from 2005
- ❑ Driven by strong market demand, Opera will further expand the organisation during the coming quarters
- ❑ The costs are expected to grow at a lower pace than revenues for 2004

## Status on Key Strategic Initiatives

- 1. Strengthen the Opera position among handset manufacturers by porting to new platforms**
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- 3. Key focus on the Opera Platform towards the Operators**
- 
- 5. Strengthen the Opera position in Asia**
- 
- 6. Strengthen the Opera position in iTV / home media and vertical markets**
- 
- 7. Technology**

# Strengthen the Opera position among handset manufacturers by porting to new platforms

## Symbian

Opera's has a strong position on Symbian

- Direct dialog with all Symbian partners and licensees
- Opera announced on devices from Nokia, Motorola, SE, BenQ and Sendo

## Linux

Opera has established a strong alliance with Motorola

- To supply the browser on the Motorola product lines + cross licensing
- Opera announced on devices from Sharp and Motorola

## ITRON

Opera has ported to Micro- $\mu$ ltron

- Leading OS in the Asian market - Kyocera is Opera's main partner
- Opera included on mobile phones in China and Japan

## Microsoft

Opera is porting to Microsoft smartphone

- Strong interest among operators for Opera to port to MS smartphone

## BREW

Opera is porting to BREW

- BREW - leading environment in the CDMA market
- Opera to be announced on BREW devices in 2004

## Other OS

Most phones today are made on Proprietary OS

- Opera is porting to several important proprietary OS

**NOKIA**  
CONNECTING PEOPLE

**SAMSUNG**

**Panasonic**

 Sony Ericsson

**SIEMENS**

**SHARP**

 **MOTOROLA**

 **KYOCERA**

**Microsoft**

  
**brew.**

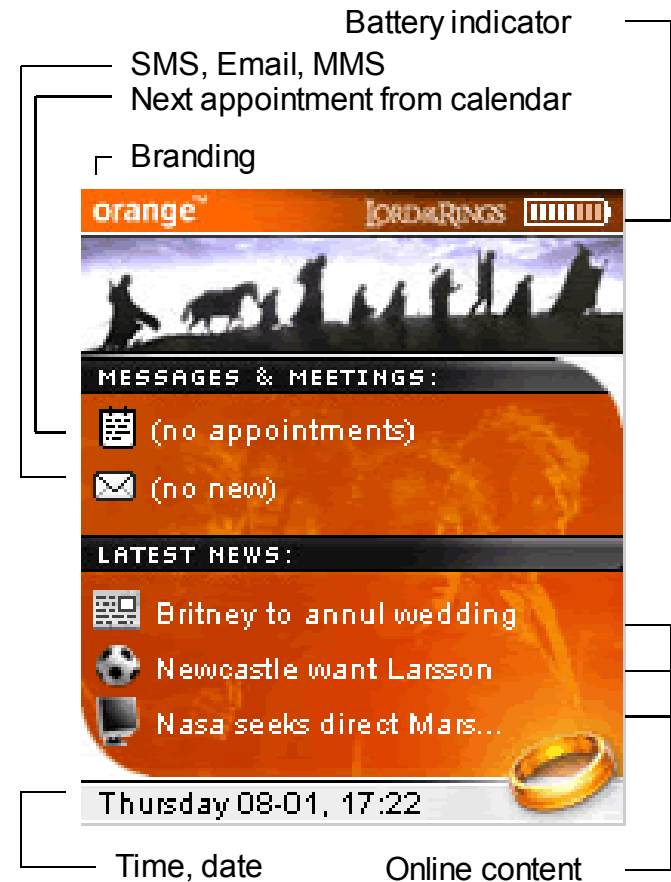
## Opera Platform – approaching commercial phase

### Technical status

- Widening range of available target devices/OS'
- Extending cross-platform re-use of components
- Extending infrastructure for new Services
- Final product expected finalized in Q4

### Commercial status

- Several Tier 1 and many Tier 2 operators actively investigating deployment of Platform
- Engaged with a leading European operator to deliver Cross Platform solution
- Engaged with several handset manufacturers to deliver Platform on multiple Operating Systems



## Asian position continuously strengthened

### Asia is important for Opera

- Asia represents 38% of global mobile phone sales per year
- Largest market growth
- More mature with regard to data services

### Opera is established as a serious player in Asia

- Opera launched on phones in Japan and China
- Strong organizational build up in both China and Japan
- Opera has announced an agreement with KDDI, Japan's second largest mobile operator and the leading provider of 3G mobile services. Together with KDDI, Opera will develop and deliver a new port of its browser based on Qualcomm's BREW
- 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 home-grown 3G network standard, TD-SCDMA

## Opera for iTV / home media

### Digital STB (operator/retail)

- Strong growth in DTT retail distribution
- High end boxes emerge

### IP STB

- Telcos starts to invest in Videos

### Networked DVD players

- Pure retail – triple growth
- Free content be monetized requiring a small browser inside networked DVD players

### HDTV & networked home screens (Plasma)

- Many of these TV's will have an embedded browser integrate



## Opera for vertical markets

- Numerous applications controlled by PC's have Windows as their OS
- Few remain loyal to MS and are moving to Linux to save on hardware and licensing costs
- Opera can be deployed across both the legacy MS platform and a new Linux platform
- Compliance with communication standards based increasingly on W3C
- Shorter development cycle than traditional native coding
- Interoperability – browser better suited than native coding

## Target markets for verticals



**Network Infrastructure**



**POS–Point of Sale Systems**



**Medical Applications**



**Industrial Equipment**

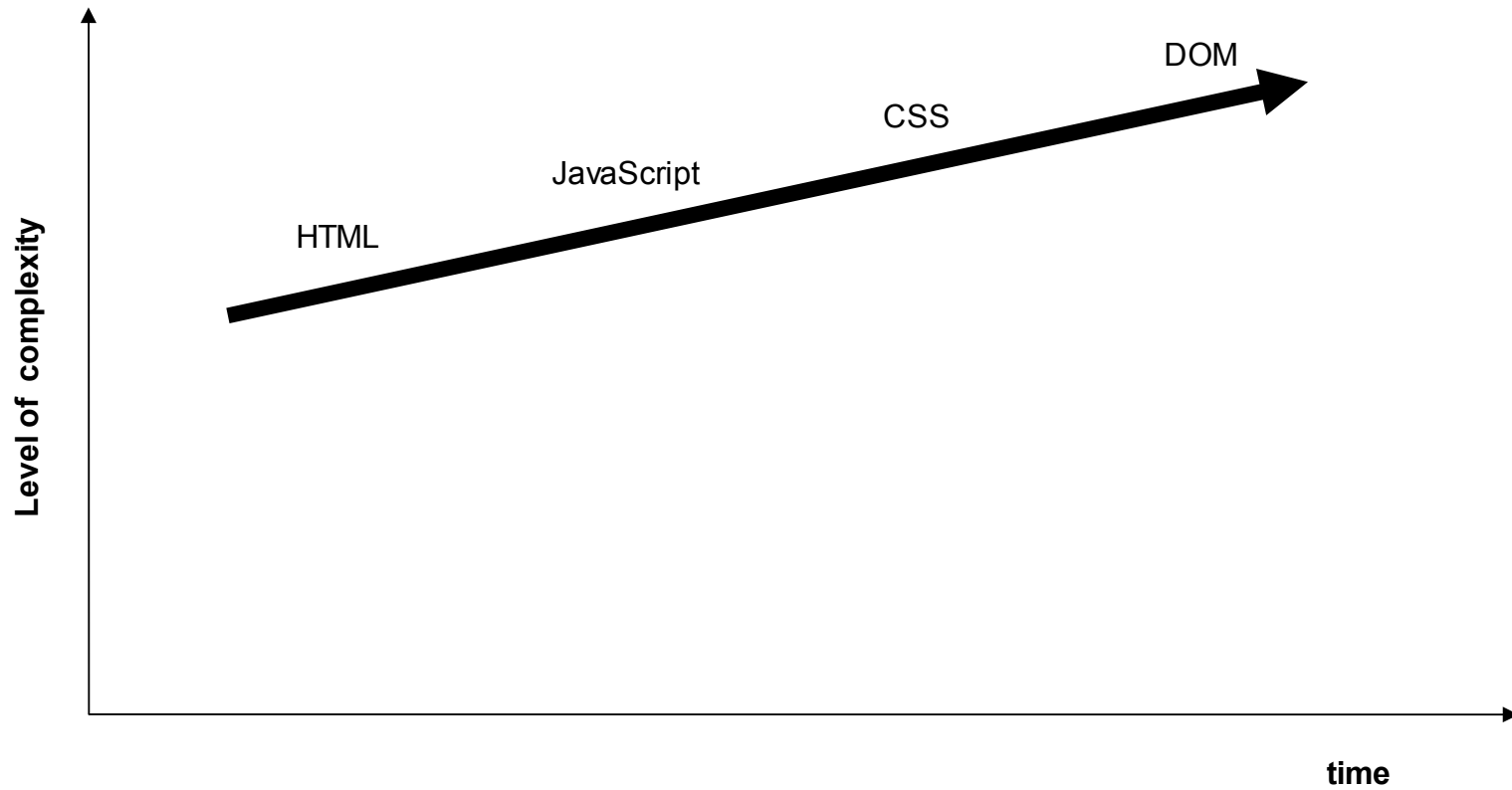


**Automotive**

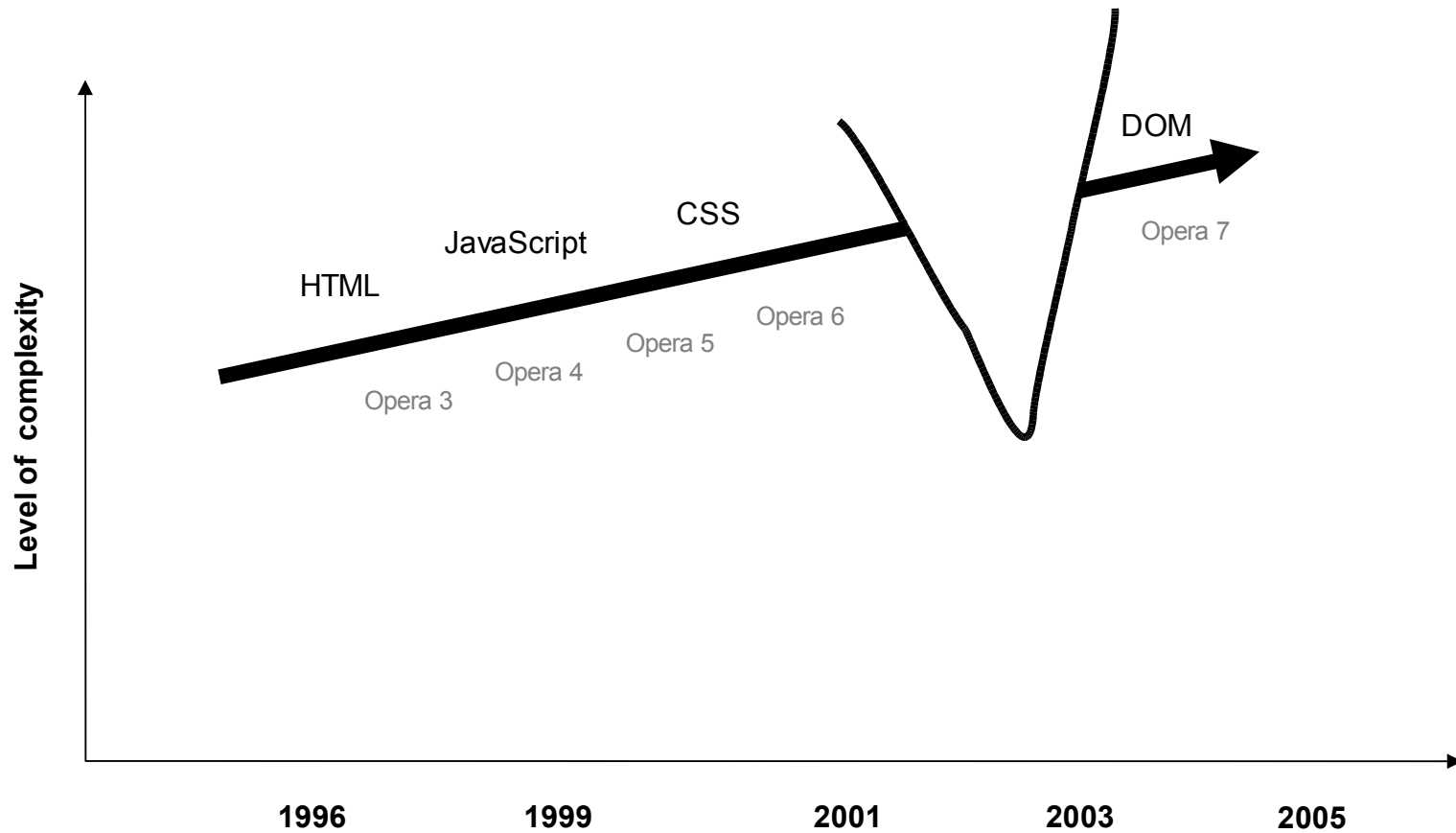
## Increasing complexity in browser development

- ❑ **Significant reduction in number of browsers from 1995 to 2004**
- ❑ **1<sup>th</sup> generation: HTML**
  - HTML is a simple language to learn
- ❑ **2<sup>nd</sup> generation: HTML + GIF/JPEG**
  - Images made the web multimedia
- ❑ **3<sup>rd</sup> generation: HTML + GIF/JPEG + JavaScript + CSS**
  - JavaScript added interaction, CSS enhanced the layout
- ❑ **4<sup>th</sup> generation: HTML + GIF/JPEG + JavaScript + CSS + DOM**
  - DOM ties the other specifications together
  - allows “web applications” to be developed

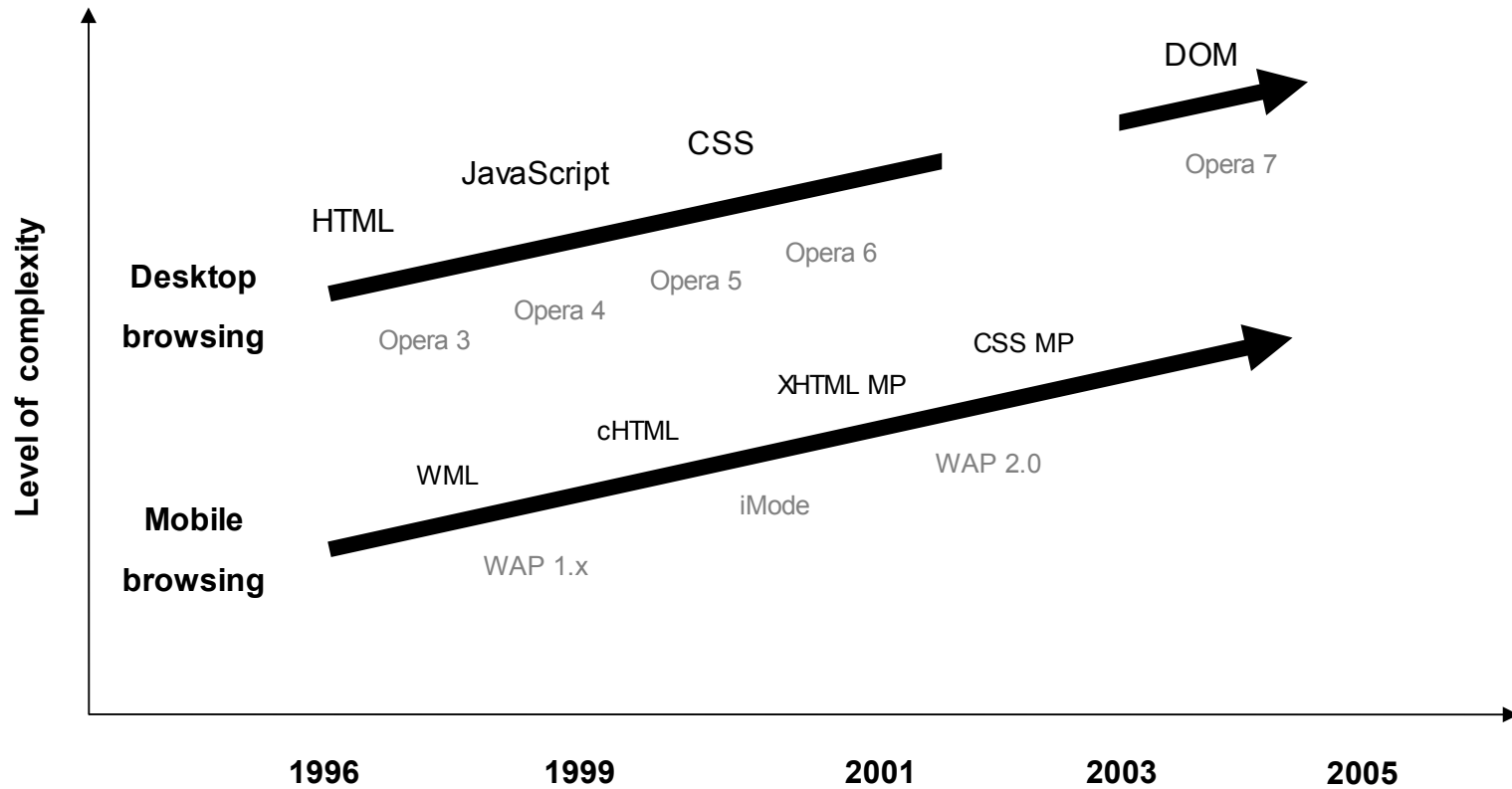
# Web standards complexity



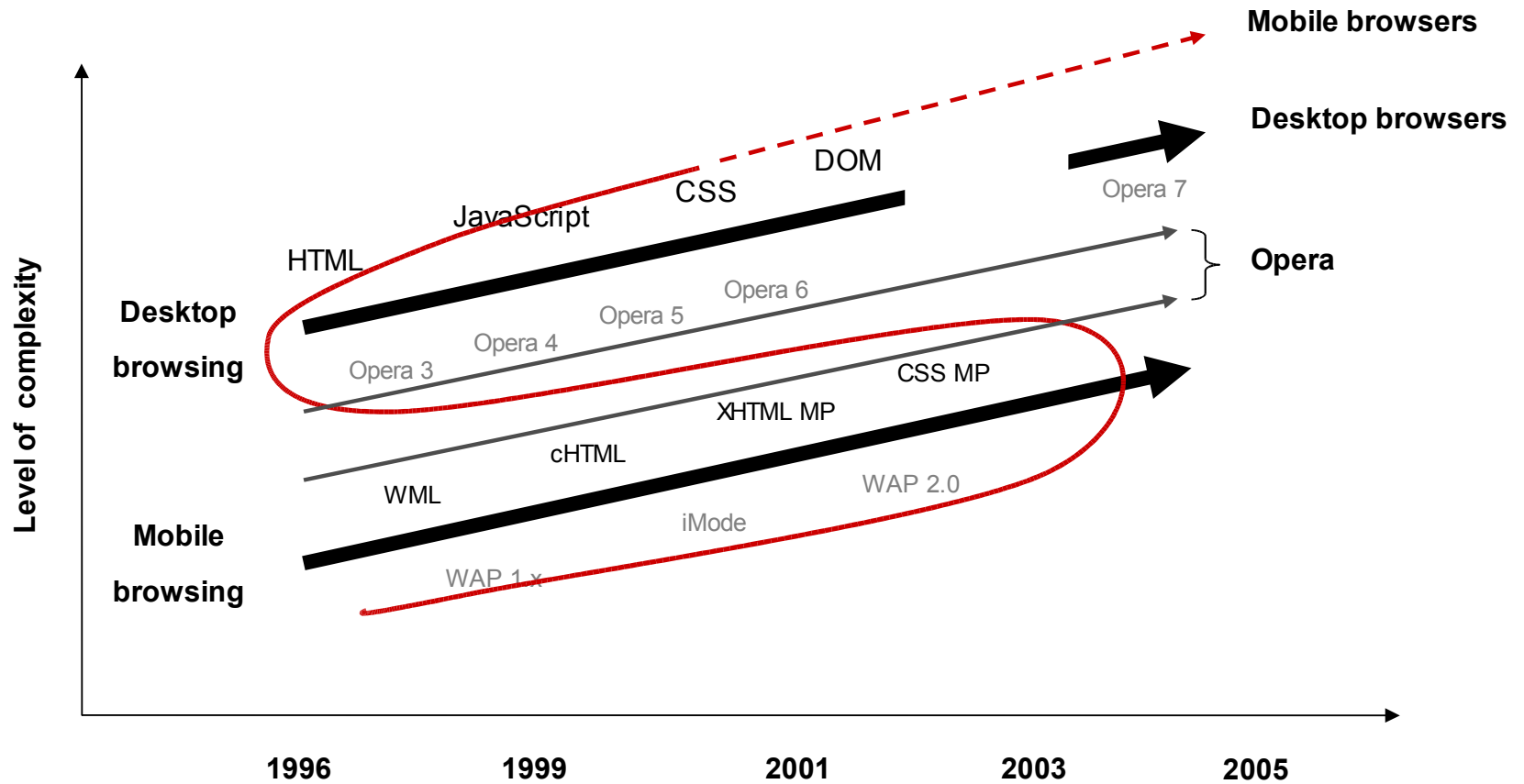
# Web standards complexity



# Desktop browsers vs. mobile browsers



# Are they catching up?



# Dynamic browsers are the basis of the future

- DOM**
  - DOM 2
  - DOM 1
  - DHTML
- Scripting languages**
  - JavaScript 1.5
  - ECMA Script 3rd
  - ECMA Script 2nd
- Layout languages**
  - CSS 1
  - CSS 2
- Images**
  - GIF
  - JPEG
  - PNG
- Markup**
  - XHTML
  - HTML
  - WML

### Web Browsing



### Online Services



OPERA MOBILE PORTAL  
Wednesday 04-02, 14:13

Search the Internet:

**Nokia 6600 Themes**  
Customize Nokia 6600 with [themes](#).  
Latest theme: [Audi by Maris](#)

**Journals**  
Create your own journal.  
Latest post: [Hullo World!](#)

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**BBC Headlines**  
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[» Updated: Aqile Messenger...](#)  
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### Dynamic home Screens



Opera Platform

HOME EXTRAS NEWS

10:19 testing...

2 unread

Wednesday 05-05, 10:19

### Component in other apps



Appenda Edit Sport

Tuesday 11 Dec 2001

Arsenal 3 Leeds 2

Here Arsenal celebrate two goals to overturn Leeds.

Coltun Comms Limited

3:41 pm

### VisualRadio 90.8



VisualRadio 90.8

**kiss FM**

**Now Playing:**  
THE CRASH  
Lauren Caught My Eye

**BUY RINGING TONE**  
Would you like to buy a ringing tone of this song?

# Opera is best positioned for future development

- Desktop Web browsers: **Mozilla, Internet Explorer, Netscape**
- Full Internet and mobile browsers: **Opera**
- Intermediate mobile browsers: **Netfront, Pocket IE**
- Regular mobile browsers: **Openwave, Nokia Browser, Teleca**

