

# THIRD 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](http://www.opera.com)

## FINANCIAL STATEMENT – THIRD QUARTER 2004

PROFIT AND LOSS ACCOUNT <i>(Figures in TNOK)</i>	Third Quarter		Accumulated		Full year
	2003	2004	2003	2004	2003
Revenues, PC/Desktop	8 668	9 446	18 102	23 682	23 307
Revenues, Internet Devices	9 373	15 121	31 627	45 808	55 224
Other income	0	0	0	87 565	0
<b>Total Operating Revenues</b>	<b>18 041</b>	<b>24 567</b>	<b>49 729</b>	<b>157 055</b>	<b>78 531</b>
Payroll and related expenses	13 148	18 476	36 413	49 422	51 315
Depreciation and amortization	500	698	2 042	2 073	2 724
Other operating expenses	5 417	7 832	16 471	21 419	23 227
<b>Total operating expenses</b>	<b>19 065</b>	<b>27 006</b>	<b>54 926</b>	<b>72 914</b>	<b>77 266</b>
<b>Earnings Before Interest and Tax ("EBIT")</b>	<b>-1 024</b>	<b>-2 439</b>	<b>-5 197</b>	<b>84 140</b>	<b>1 265</b>
Net financial items	329	251	527	1 166	540
<b>Earnings Before Tax ("EBT")</b>	<b>-695</b>	<b>-2 188</b>	<b>-4 669</b>	<b>85 307</b>	<b>1 805</b>
Taxes	136	503	979	-24 657	-1 429
<b>Earnings After Tax ("EAT")</b>	<b>-559</b>	<b>-1 685</b>	<b>-3 690</b>	<b>60 650</b>	<b>376</b>
Earnings per share	-0.01	-0.02	-0.05	0.61	0.00
Earnings per share fully diluted	-0.01	-0.02	-0.05	0.54	0.00

BALANCE SHEET <i>(Figures in TNOK)</i>	30. September		31-Dec
	2003	2004	2003
<b>Assets</b>			
Deferred taxes	22 651	1 091	21 348
Goodwill	3 536	1 964	3 143
Tangible assets	1 641	1 993	1 483
Other current assets	18 922	31 062	37 412
Cash and cash equivalents	35 826	234 307	28 388
<b>Total assets</b>	<b>82 576</b>	<b>270 417</b>	<b>91 774</b>
<b>Liabilities &amp; equity</b>			
Paid in capital	74 228	198 998	79 516
Retained earnings	0	61 110	461
Short-term liabilities	8 348	10 309	11 797
<b>Total liabilities &amp; equity</b>	<b>82 576</b>	<b>270 417</b>	<b>91 774</b>

CASH FLOW STATEMENT <i>(Figures in TNOK)</i>	Third Quarter		Accumulated		Full year
	2003	2004	2003	2004	2003
Cash flow from operating activities	2 128	-147	-12 261	91 842	-20 937
Cash flow from investment activities	-400	-340	-411	-1 408	-594
Cash flow from financing activities	0	-202	39 482	115 485	40 903
Change in cash and cash equivalents	1 728	-689	26 810	205 919	19 372
Cash and cash equivalent, beginning of period	34 097	234 996	9 016	28 388	9 016
Cash and cash equivalent, end of period	35 826	234 307	35 826	234 307	28 388

EQUITY <i>(Figures in TNOK)</i>	Accumulated per 30. September		Full year
	2003	2004	2003
Opening balance	26 506	79 977	26 506
Net profit/loss	-3 690	60 649	376
Equity issues	51 332	119 444	53 095
Other	80	38	0
Closing balance	74 228	260 108	79 977

INTERIM RESULTS <i>(Figures in TNOK)</i>	Q2	Q3	Q4	Q1	Q2	Q3
	2003	2003	2003	2004	2004	2004
Total operating revenues	19 248	18 041	28 802	21 729	110 759	24 567
EBIT	2 169	-1 024	6 462	-3 396	89 974	-2 439
Sales growth quarter by quarter (%)	54.7%	-6.3%	59.6%	-24.6%	409.7%	-77.8%
Pre-tax earnings per share (NOK)	0.02	-0.01	0.06	-0.02	0.65	-0.02
Pre-tax earnings per share (NOK) fully diluted	0.02	-0.01	0.05	-0.02	0.57	-0.02

**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 – THIRD QUARTER 2004

## Highlights

- Revenue of MNOK 24.6 in Q3 2004, up from MNOK 18.0 in 3Q 2003, a growth of 36%
- Earnings before interest and tax (“EBIT”) of MNOK -2.4 in 3Q04 compared to MNOK -1.0 in 3Q03
- The number of units sold that included the Opera browser, was 1.749 million in 2Q04 compared to 254 thousand units in 2Q03<sup>1</sup>
- In August, Opera Software signed an agreement with KDDI, Japan's second largest mobile operator. The first phone to include Opera on KDDI's network, is the Casio W21CA. This is the first Casio handset featuring Opera
- Opera Software and UIQ Technology, a fully owned subsidiary of Symbian Ltd. that develops user interfaces for handsets, announced in October that Opera would be the default browser in the new UIQ 3.0

## Financials

Operating revenue in the third quarter of 2004 (“3Q04”) was MNOK 24.6, up from MNOK 18.0 in 3Q03. Accumulated ordinary income was MNOK 69.5, up from MNOK 49.7. The turnover increased by 40% on a year-to-year basis.

Income from Internet devices was MNOK 15.1 in 3Q04, up from MNOK 9.4 in 2Q03. Income from desktop products was MNOK 9.4, up from MNOK 8.7 last year.

Operating expenses increased from MNOK 19.1 in 3Q03 to MNOK 27.0 in 3Q04, a growth of 42%. Accumulated operating costs were MNOK 72.9 compared to MNOK 54.9 in 2003, a growth of 33%.

EBIT in 3Q04 was MNOK -2.4, compared to MNOK -1.0 in 3Q03. Accumulated EBIT was MNOK -3.4, compared to MNOK -5.2 in 2003.

Cash and cash equivalents were MNOK 234.3 at the end of 3Q04.

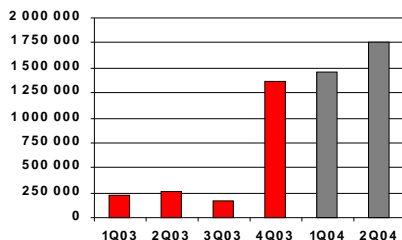
## Internet Devices

The income from Internet devices grew from MNOK 9.4 in 3Q03 to MNOK 15.1 in 3Q04, a growth of 61%. Accumulated revenue from Internet devices for the year was MNOK 45.8, compared to MNOK 31.6 in 2003, a growth of 45%.

## Mobile phones

The number of phones sold to end users that included the Opera browser, was 1.749 million in 2Q04, compared to 254 thousand units in 2Q03. During the first six months of 2004, Opera was installed on 3.215 million phones compared to 0.47 million during the same period last year.

**Number of phones sold with the Opera browser**



<sup>1</sup> 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 2Q04 is treated as ordinary income in 3Q04.

In August, Opera Software signed an agreement with KDDI, Japan's second largest mobile operator and the leading provider of 3G mobile services. Opera will deliver its browser for the BREW platform. The first phone to include Opera on KDDI's network, is the Casio W21CA. This is the first Casio handset featuring Opera.

In September, Opera announced that it will be included as default browser on Nokia's 9300 handset which is based on Symbian OS and the Series 80 platform. The handset is expected to ship Q1 2005.



Casio W21CA

Nokia 9300

Opera Software and UIQ Technology, a fully owned subsidiary of Symbian Ltd. that develops user interfaces for handsets, announced in October that Opera would be the default browser in the new UIQ 3.0, a version that will also open up the mass market for UIQ. The user interface is the part of an operating system that the end user sees on the screen and interacts with. UIQ is a user interface platform for Symbian OS. Until now, UIQ handsets have been positioned for the high-end market, necessitating pen-based, touch-screen devices such as Sony Ericsson's P800, P900 and P910 smartphones, BenQ's P30 and Motorola's A920, A925 and A1000 phones - handsets that all include Opera either in the firmware or on the memory card. With the new UIQ 3.0, which includes Opera, UIQ Technology will offer interaction with one-handed operation for the first time, opening up a wider market for UIQ based devices for the first time.

The second largest wireless company in the U.S., Cingular Wireless, has decided to include the Opera browser in their Nokia 6620 offering. Opera will also be included on the generic MMC Card on offer to Latin American operators, meaning that any Latin American operator deploying the handset will have Opera included.

## Home Media

In Q3, Opera released the Opera SDK for Home Media. This is an OEM package designed for early phase browser integration in Home Media devices. A growing number of OEMs are evaluating the HomeMedia SDK. The objectives are to increase our reach and distribution within the networked device market. The SDK allows our customers to port a standard Opera build and create their own User interface.

## PC/Desktop

Income from desktop products was MNOK 9.5, up from MNOK 8.7 last year, an increase of 9%. Accumulated desktop revenue for the year was MNOK 23.7, compared to MNOK 18.1 in 2003, a growth of 31%.

Over the summer, many media outlets seized on the many security vulnerabilities in Microsoft's Internet Explorer browser, prodding users to seek out alternative browsers like Opera. This focus immediately had a positive impact on both the number of downloads and registrations of the browser.

Also, another Microsoft alternative, Mozilla's Firefox browser, has come closer to maturity, attracting lots of attention especially in US Media. This focus on browsers is also beneficial to Opera, and the desktop product line continues to experience strong interest and increased sales.

#### **Continued innovation**

In September Opera unveiled a new edition of its screen rendering technologies, this time tailored for the television. TV Rendering (TVR) makes the necessary adjustments to perfectly display any Web page on any TV screen, opening up for a great Internet experience on TV sets.

With Web pages being designed for viewing on high-resolution desktop computer monitors, TV screens with their low resolution and varying screen sizes have only with limited success been able to offer a satisfactory Internet experience. TVR for the first time introduces users of broadband enabled set-top boxes (STB), or other iTV related hardware, to the potential of full Internet browsing that is as true and content-rich as experienced with desktop computers.

Responding to demand from operators, Opera also announced that a browser version for Microsoft Windows Mobile is in the works. A public preview will be made available within year's end.

#### **Organization**

As of September 30, the company had 182 employees, compared to 158 employees by the end of June 2004 and 126 employees by the end of 3Q03.

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.

#### *Internet devices*

Opera believes that Internet access will be a vital application to facilitate the need of increased functionality, and that the company is well positioned to take a leading role in the market for internet device browsers. Higher-functionality devices are showing material growth, and accounting for increasingly higher proportions of the sale of mobile phones. This is driven by the steady price decline of these products, the inclusion of features such as color and camera as standard in the majority of new products and the introduction of these features into low-end and pre-pay segments. As advanced phones get cheaper and networks faster, there will be a demand for increased functionality and services to make use of the increased network speed.

#### *Home media*

The general product innovation in the home appliance market is accelerating driven by the switch to digital transmission. Opera expects a substantial increase in number of devices with electronic storage, including set-top boxes and networked DVD recorders. Downloading of music and video is foreseen to drive this demand. Downloading into hard drives will require a browser. Opera believes that its proven technology with HTML, JavaScript, CSS and DOM capability is the key to simpler and cheaper hardware to deliver enhanced applications.

#### *PC/Desktop*

The company believes that advertising will become an increasingly important income generator in the desktop segment. The increased focus on security and alternative browsers has increased the focus on desktop browsing in general. The increased interest on alternative browsers has had

a positive influence on Opera's revenue. The company believes that this trend will endure, and that the desktop revenue will continue to grow with the number of users.

Oslo, November 11, 2004

The Board of Directors  
Opera Software ASA

Christian H. Thommessen  
Chairman  
(sign.)

Jon S. von Tetzchner  
CEO  
(sign.)