



## **THIRD QUARTER - 2003**

**Opera Software ASA  
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## FINANCIAL STATEMENT – THIRD QUARTER 2003

PROFIT AND LOSS ACCOUNT <i>(Figures in TNOK)</i>	Third Quarter		Accumulated		Full year
	2002	2003	2002	2003	2002
Revenues, PC/Desktop	4 096	8 668	13 770	18 102	17 499
Revenues, Internet Devices	7 888	9 373	23 490	31 627	33 561
<b>Total Operating Revenues</b>	<b>11 984</b>	<b>18 041</b>	<b>37 260</b>	<b>49 729</b>	<b>51 060</b>
Payroll and related expenses	13 040	13 148	33 528	36 413	47 016
Depreciation and amortization	392	500	1 178	2 042	3 118
Other operating expenses	6 062	5 417	17 160	16 471	22 307
<b>Total operating expenses</b>	<b>19 494</b>	<b>19 065</b>	<b>51 866</b>	<b>54 926</b>	<b>72 441</b>
<b>Operating result</b>	<b>-7 510</b>	<b>-1 024</b>	<b>-14 606</b>	<b>-5 197</b>	<b>-21 380</b>
Net financial items	-350	329	-617	527	-857
<b>Result before taxes</b>	<b>-7 860</b>	<b>-695</b>	<b>-15 223</b>	<b>-4 669</b>	<b>-22 237</b>
Taxes	0	0	0	0	6 035
<b>Ordinary result</b>	<b>-7 860</b>	<b>-695</b>	<b>-15 223</b>	<b>-4 669</b>	<b>-16 202</b>

BALANCE SHEET <i>(Figures in TNOK)</i>	30. September		31-Dec
	2002	2003	2002
<b>Assets</b>			
Deferred taxes	19 505	22 651	21 679
Goodwill	5 107	3 536	4 715
Tangible assets	2 346	1 641	2 041
Other current assets	8 487	18 922	11 473
Cash and cash equivalents	15 413	35 826	9 016
<b>Total assets</b>	<b>50 858</b>	<b>82 576</b>	<b>48 924</b>
<b>Liabilities &amp; equity</b>			
Equity	31 433	74 228	26 506
Long-term liabilities	11 850	0	0
Short-term liabilities	7 575	8 348	22 418
<b>Total liabilities &amp; equity</b>	<b>50 858</b>	<b>82 576</b>	<b>48 924</b>

CASH FLOW STATEMENT <i>(Figures in TNOK)</i>	Third Quarter		Accumulated		Full year
	2002	2003	2002	2003	2002
Cash flow from operating activities	-3 727	2 128	-17 105	-12 261	-23 195
Cash flow from investment activities	-111	-400	-298	-411	-548
Cash flow from financing activities	11 850	0	15 850	39 482	15 850
Change in cash and cash equivalents	8 012	1 728	-1 553	26 810	-7 893

EQUITY <i>(Figures in TNOK)</i>	Accumulated per 30. September		Full year
	2002	2003	2002
Opening balance	38 686	26 506	38 686
Net profit/loss	-11 236	-3 690	-16 181
Equity issues	4 000	51 332	4 000
Other	-16	80	0
Closing balance	31 434	74 228	26 506

INTERIM RESULTS <i>(Figures in TNOK)</i>	Q2	Q3	Q4	Q1	Q2	Q3
	2002	2002	2002	2003	2003	2003
Total operating revenues	13 663	11 984	13 794	12 439	19 248	18 041
Operating result	-2 490	-7 934	-6 381	-6 351	2 169	-1 024
Sales growth quarter by quarter (%)	17.6 %	-12.3%	15.1%	-9.8%	54.7%	-6.3%
Pre-tax earnings per share (NOK)	-0.046	-0.127	-0.114	-0.083	0.019	-0.008
Pre-tax earnings per share (NOK) fully diluted	-0.044	-0.101	-0.090	-0.068	0.016	-0.007

**Note: The quarterly financial statement is based on the same principles as the annual accounts**

# OPERA SOFTWARE ASA – THIRD QUARTER 2003

## Highlights

- Revenues of MNOK 18.0 in Q3 2003, up from MNOK 12.0 in 3Q 2002, a growth of 50.5%
- Loss before tax of MNOK 0.7 compared to loss before tax of MNOK 7.9 in 2002
- The Motorola A920, launched in September, is the first Motorola phone to feature Opera as its browser, and Opera's first UMTS (3G) phone
- The Nokia 6600 launched in October, is the first Nokia Series 60 phone to include Opera's SSR technology.
- Nokia announced that the Series 90 "media device" 7700 to be launched in Q2 2004 will include the Opera browser as default
- Sony Ericsson announced the P900 for which the Opera browser will be downloadable from Sony Ericsson's web-site. It will also come on a CD included when buying the phone
- Opera has signed an agreement with Google which are now serving users of Opera's free desktop version with relevant text-based ads
- Opera has announced a licensing agreement with Adobe Systems Incorporated to include Opera's rendering engine in future Adobe product releases

## Financials

Operating revenues in the third quarter of 2003 ("3Q03") increased from MNOK 12.0 in 2002 to MNOK 18.0 in 2003. The turnover increased by 50.5% on a year-to-year basis. Accumulated revenues for the year were MNOK 49.7 compared to MNOK 37.3 in revenue during the same period last year, a growth of 33.5%.

The operating loss in 3Q03 was MNOK 0.7, compared to an operating loss of MNOK 7.5 in 3Q02. Accumulated operating loss for the year was MNOK 4.7 compared to a loss of MNOK 14.6 during the same period last year.

Income from embedded products was MNOK 9.4, up from MNOK 7.9 in 3Q02. Income from PC/Desktop was MNOK 8.7, up from MNOK 4.1 last year.

The operating costs were reduced from MNOK 19.5 in 3Q02 to MNOK 19.1 in 3Q03, a reduction of 2.2%. Accumulated operating costs for the year was MNOK 54.9 compared to MNOK 51.9 during the same period last year, a growth of 5.9%.

Cash and cash equivalents was MNOK 35.8 at the end of 3Q03.

## Embedded

The income from embedded products grew from MNOK 7.9 in 3Q02 to MNOK 9.4 in 3Q03, a growth of 19.1%

## Smartphones

Opera reached important milestones in September and October with the launches of Motorola's A920 and Nokia's 6600 and the announcements of the Nokia 7700 and the Sony Ericsson P900. The Motorola A920 is the



Nokia 6600



Motorola A920

first Motorola phone to feature Opera as its browser, and Opera's first UMTS phone network deployment. Nokia 6600 is the first Nokia Series 60 phone to include Opera's Small Screen Rendering ("SSR") technology and is likely to be the first mass-market<sup>1</sup> phone to include the Opera browser. The Sony Ericsson P900 is expected to be launched in November/December this year, while the Nokia 7700 will be launched in 2004.



Nokia 7700



Sony Ericsson P900

## Operators

In June, the Portuguese telecom operator Optimus pioneered the mobile Internet by launching their own branded version of Opera's Smartphone Edition on their Nokia 3650 phones. Preliminary results show that data traffic on Optimus' GPRS network increased by 416% from May to August.

The results indicate the importance of the browser in the operator's effort to increase the average revenue per user.

<sup>1</sup> A mass-market mobile phone is by Opera defined as a handset selling more than 2 million units during its life cycle.

### *iTV*

Opera continues to invest for the future in its iTV product line. Focus is on development and pre-sales. A software development kit (SDK) is in development, and has already been sold to some partners.

### **PC/Desktop**

Income from PC/Desktop grew from MNOK 4.1 in 3Q02 to MNOK 8.7 in 3Q03, a growth of 111.6%.

In September, Opera signed an agreement with Google, the world's leading search engine company. The partnership makes it possible for users of Opera's free, sponsored version to choose between relevant text-based ads served by Google, or the old, generic ads served by Advertising.com.

Also in September, Opera announced a licensing agreement with Adobe Systems Incorporated to include Opera's rendering engine in future Adobe product releases. Adobe produces one of the most popular Web editing tools used by designers around the world. By including Opera's cross-platform rendering engine, Adobe can use one browser on many platforms, as well as prepare their users for the future of Web development with Opera's built-in SSR technology. The fact that both Adobe and Macromedia now use Opera in their Web development applications will also benefit Opera's desktop versions. Since designers will test using Opera, this will reduce display and access problems for the browser.

### **Organization**

As of the 30<sup>th</sup> of September, the company had 126 employees (120 man-labor years), compared to 132 employees by the end of September 2002 and 122 employees by the end of 2Q03.

The Company foresees further organizational growth in 4Q03. The growth is expected to continue also in 2004. Growth will be driven by customer demand and new employees will mainly be working within the development, quality assurance and documentation departments.

### **Outlook**

#### *Internet devices*

Opera believes that the hardware element of a mobile phone is becoming increasingly commoditized. Fashion and voice function will no longer be enough to keep the users fully engaged and a third dimension, functionality, will become increasingly important. This third dimension, which will increasingly feature in the purchase decision, is defined by the terminals software.

As high resolution color screens and higher memory capacity are becoming more and more available, phone manufacturers are focusing on including new software applications to improve the functionality and thereby the user experience on mobile phones.

Opera believes that the web connection and thereby the HTML browser, will play an increasingly important role on future mobile phones. The company believes that it is better positioned than ever before to become a leading player in this market.

The launch of Nokia 6600, which is likely to become the first mass-market phone with HTML web access, is the beginning of what is believed to become a fast growing market.

The Company believes it's browser will be included on several phones to be launched in the next quarters. Still, most of the income on Internet devices is expected to be R&D related this year. We do not expect a substantial growth in license income until 2004 and 2005.

The level of activity within the digital television industry is improving. The Opera browser will be included on several set-top boxes in the short to medium-term but mass market adoption remains more distant. We continue to believe that Opera has a leading solution for this sector and that the long term income potential is substantial.

#### *Desktop*

Press reports have indicated that Microsoft will not be developing Internet Explorer further as a standalone product, instead going for full integration in the upcoming "Longhorn" operating system to be released in a few years time. At the same time, development of Netscape is being largely abandoned. Opera sees this as an opportunity to be the only major commercial player continuing to push browser development on desktop.

We believe that the desktop revenue will continue to grow together with the number of users. Advertising continues to be an important income generator for Desktop, and with the Google deal in place, Opera expects increased revenues from advertising in the future.

### **Shareholder and Equity Related Issues**

As of September 30, the total number of outstanding shares totaled 84 652 747, which equals the number of shares reported per 2Q03.

Oslo, November 5, 2003

The Board of Directors  
Opera Software ASA

Christian H. Thommessen  
Chairman  
(sign.)

Jon S. von Tetzchner  
CEO  
(sign.)