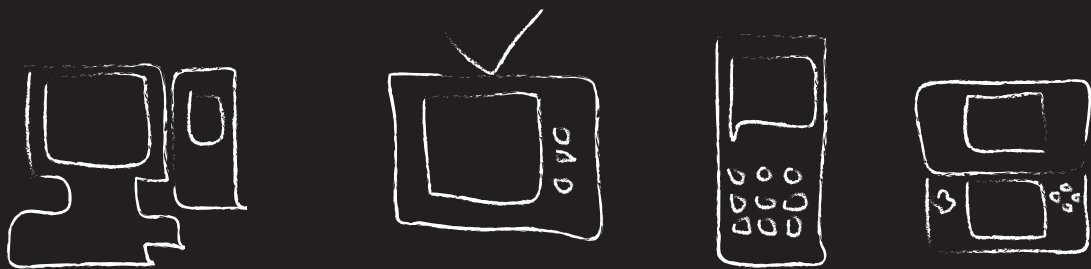


# Opera Software

Annual Report 2005

*The best Internet experience on any device*



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contains the following:

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*The consolidated financial statement, which has been drawn up by the board and management, has to be read in relation to the annual report and the independent auditor's opinion.*



# Director's Report

In 2005, Opera focused on customer development and organisational growth to further position the company in the fast-growing markets it operates within.

The Company made substantial commercial progress, especially in the market for internet devices. More than 17 million people bought a mobile phone that included the Opera browser during 2005, a growth of more than 90% from the year before. Opera launched Opera Mini, a Java-based Web browser that allows users to access the full Web on mobile phones that would normally be incapable of running a Web browser. Opera Mini has opened up the market for less advanced phones which the company previously has not been able to serve.

Progress was also made in the market for other devices. During the year, the Opera browser was included on a variety of different consumer electronic products, including set-top boxes, MP3 players and Web-pads. In 2006, the Opera browser will also be included on game consoles.

In a move to expand global distribution and use of Opera for PC/Desktop, the company decided in September 2005 to make its browser free of charge and with no advertising. It is expected that over time revenues from search and service partners will offset the expected initial decline in revenue.

The ordinary revenue was MNOK 154.0 in 2005, up from MNOK 99.3 in 2004. The revenue increased by 55% on a year-on-year basis. Operating expenses increased from MNOK 107.8 to MNOK 153.0, a growth of 41.9%. The increase in expenses was mainly caused by organisational growth. The organisation grew from 195 to 264 employees during the year.

## Strategic focus

Opera's vision is to deliver the best Internet experience on any device. The key business objective is to earn global leadership in the market for embedded products, including mobile phones and other devices, and to further strengthen the position in the PC/Desktop market. Opera's main goal is to provide a browser that operates across devices and operating systems, providing a faster, more stable and more flexible Internet experience than the competition.

## Commercial development

The market for mobile phones with increased functionality showed material growth in 2005. Advanced handsets like smartphones accounted for an increasingly higher proportion of total mobile phone sales. Opera believes that two main factors will continue to drive the growth for enhanced handsets: the falling cost of building a mobile phone and the operators' demand for increased functionality and better services to make use of faster network speeds. More than

17 million people bought a mobile phone that included the Opera browser during 2005, compared to 8.8 million units in 2004. The browser was included on 24 different handset models, compared to 13 models in 2004. Handset manufacturers that included the Opera browser on handsets in 2005, include Motorola, Sony Ericsson, Nokia, Sharp, Toshiba, Kyocera, Hitachi, Casio and ZTE.

During 2005, mobile phone operators became an increasingly important group of customers. T-Mobile chose Opera as the browser to fulfil parts of their "Internet in your pocket" offering. "Internet in your pocket" is aimed at growing data services into a mass market. With the Opera browser on selected handsets, T-Mobile can now offer their subscribers the full Internet on their mobile phones, as well as quickly roll out new and advanced mobile services that are expected to increase the phone's usability and average revenue per user (ARPU). KDDI, Japan's largest 3G operator launched six phones that included the Opera browser, which is re-branded as the KDDI "PC Site Viewer".

In 2005, Opera launched Opera Mini, a Java-based Web browser that allows users to access the Web on mobile phones that would normally be incapable of running a Web browser. This includes the vast majority of today's 700 million Java-enabled phones. A remote server pre-processes the Web page before sending them to the phone. This makes Opera Mini an attractive solution for phones with limited resources, or low bandwidth connections. Mini is available free of charge via WAP and PC download or for a fee via SMS. Opera also offers customized versions of Opera Mini to mobile phone operators, handset manufacturers and other companies interested in offering a branded, full mobile Web browser to their customers. Since the launch of Mini, more than 1.5 million people have downloaded and used the product to view Web content.

In 2005, Opera also saw a strong development in the market for browsers on other devices. During the year, the Opera browser was included on verity of different consumer electronic products, including set-top boxes, MP3 players and web-pads. Digital media content is rapidly becoming popular in the mass consumer market, as seen most visibly through the growth of digital consumer content such as music, images, TV/video and games. Opera believes that future devices to a large extent will be networked and have electronic storage capacity. Downloading into hard drives will require a browser, and Opera believes that its proven browser technology will enable simpler and cheaper hardware to deliver enhanced applications. The highlight during the year was the announcement by Nintendo that their new gaming devices, the Nintendo DS and DS Light, will run the Opera browser via a DS card. Users simply insert the card into Nintendo DS, connect to a network, and begin browsing on two screens.

In a move to expand global distribution and use of Opera for PC/Desktop, the company decided in August 2005 to offer its browser free of charge and with no advertising. It is expected that over time

revenues from search and service partners will offset the initial decline. The removal of the advertising banner and licensing fee was made possible by a gradual increase in revenues from search and service partners, including a revised search agreement with Google. The extended contract with Google includes a search revenue deal, marketing support and technical cooperation. In 2005, the Opera browser for PC/Desktop was downloaded more than 40 million times.

The growth in operating revenue was 55% in 2005, compared to 26% in 2004. The company expects the growth in royalty revenue from mobile phones to continue in 2006. The introduction of Opera Mini will start to generate recurring revenue from mobile operators and content providers in the first half of 2006. The market for other devices, including set-top boxes and game consoles, is expected to become more important for Opera, with multiple devices expected to be launched in 2006.

## Continued innovation

Opera's emphasis on innovation continued to yield visible results in 2005.

Opera continued its tradition of innovation by bringing new solutions to answer the evolving needs of Internet users around the world. In particular, security is a growing concern for Web users, and Opera has responded to the increase in online fraud with new security features. These features enable users to judge the trustworthiness of secure sites like online stores and banks. Opera was also the first browser to include voice interaction capabilities in the browser.

During the year, Opera announced the release of its first Software Development Kit (SDK) for devices, to use the Generic Opera Graphical Interface (GOGI), Opera's porting technology. Opera's SDK is designed to bring the full Internet to connected devices, and enables original equipment manufacturers (OEMs) to quickly add the Opera browser to their products.

Opera brought Web applications to the mobile phone by launching an SDK provided for the Opera Platform. By using the SDK, developers can rapidly create small applications that let end-users interact with information in new ways. A Web application can, for example, be an email client, a game or a stock ticker.

One of the innovation highlights in 2005 was Opera Mini, the Java-based Web browser that allows users to access the full Web on mobile phones that would normally be incapable of running a Web browser. Mini has opened up the market for less advanced phones which the company previously has not been able to serve.

## Financial year 2005

From January 1st 2005, the consolidated accounts of Opera Software ASA comply with International Financial Reporting Standards (IFRS). For the year 2004, the consolidated group financial

statements were prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (NGAAP). Consequently, the 2004 consolidated financial statement has been restated to comply with IFRS. For more information, please see the accompanying note no 17.

The ordinary revenue was MNOK 154.0 in 2005, up from MNOK 99.3 in 2004. The revenue increased by 55% on a year-on-year basis.

The revenue from Internet devices increased from MNOK 65.9 in 2004 to MNOK 128.1 in 2005, a growth of 94.5%. The increase was driven by royalty income from mobile phones sold that included the Opera browser, and engineering related income from customers both within the mobile and devices areas.

Revenue from PC/Desktop was MNOK 25.8 in 2005, compared to MNOK 33.4 in 2004, a decrease of 22.8%. In a move to expand global distribution and use of Opera's desktop browser, the company decided in September to offer its browser free of charge and with no advertising. This caused a decline in desktop revenue in 2005.

Operating expenses increased from MNOK 107.8 to MNOK 153.0, a growth of 41.9%. Payroll and related expenses was MNOK 108.3, up from MNOK 77.5. Cost related to the option program was MNOK 6.9 in 2005 compared to MNOK 5.6 in 2004. The increase was partly related to the implementation of IFRS and to the increase in the share price, which increased from a closing price of NOK 8.90 on January 3, 2005 to a closing price of NOK 22.50 on December 31, 2005.

EBIT excluding non-recurring revenue was MNOK 0.9 in 2005, compared to MNOK -8.4 in 2004.

Although the EBIT of the group was positive, the net cash flow from operating activities was negative at MNOK 35.5. The main reason for the deviance is the increase in the unbilled revenue of MNOK 46 (from MNOK 11 as of 31 December 2004 to MNOK 57 as of 31 December 2005). As of February 28 2006 the unbilled revenue decreased to MNOK 20.

Opera's balance as of December 31, 2005, was MNOK 325.5 of which MNOK 218.5 was cash and cash equivalents.

The annual financial statements have been prepared on a "going concern" basis.

## Shareholders and equity related issue

During 2005, employees exercised 2,320,750 stock options in the company at a strike price of NOK 2.50, 7.20 and 10.00. In addition, holders of warrants exercised warrants for a total of 6,319,999 new shares.

Opera Software had 107,906,246 shares outstanding and 1,117 shareholders as of December 31, 2005. The company had 133 foreign shareholders who owned 32.14% of the issued shares.

As of December 31, the company had MNOK 224.5 in paid in capital. Free equity was MNOK 66.6.

In the annual general meeting held 15. June, Grace Reksten Skaugen was elected as a new member of the Board. Tore Mengshoel and Lars Thoresen resigned as board members.

### Allocation of the annual profit

The profit for Opera Software ASA was in 2005 MNOK 2.0. The board recommends that the profit is transferred to retained earnings.

### Financial risk

The board has instructed the administration to place surplus liquidity in a secure way, with minimum liquidity- and credit risk. 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.

Opera's customers are mainly large global companies within the areas the company operates within. The customer-related credit risk is therefore limited.

The company currently does not hedge currency risk. The main reasons for this are that Opera is equity-financed with substantial cash reserves and no interest-bearing debt. In addition, the majority of the company's future income (royalty income) has no direct impact on the company's cost. Investment decisions are only to a limited extent influenced by currency changes. This decision is reconsidered on a yearly basis.

### Organization

Opera Software's headquarters are located in Oslo, Norway. The company also have offices in Linköping and Gothenburg Sweden, Beijing China, Tokyo Japan and San Diego USA. The company had 264 employees as of December 31, 2005.

### Workplace environment

The workplace environment is in compliance with the Norwegian Law of Workplace Environment. There have been no injuries to the company's employees at their workplace, and sick leave is considered low at 1.38%. The company's activities are not polluting the environment.

### Gender equality

As of December 31, 2005, Opera had 264 employees, of which 41 were women and 223 were men. As part of its core values, Opera promotes cultural diversity, gender equality, and is an equal opportunity employer. Opera has two female board members.

### Corporate governance

Opera is incorporated in Norway with a governance structure built on Norwegian corporate law. The Company is organized as a traditional limited company, with a board of directors, a chief executive officer, and an external auditor. The annual general meeting is where the board formally ratifies major decisions affecting the Company's affairs.

Opera is committed to a set of values based on diversity and equality that guides the way the company develops its products and its interaction with customers, partners and investors.

The Board of Directors report on the company's Corporate Governance policies is found on page 54 of the Annual Report.

# The Board of Directors



### Chairman, Christian Thommessen, (born 1957)

Thommessen spent 17 years in international management consulting and executive management before turning his career into full time directorship in technology/venture, government and humanitarian sectors. Thommessen holds a master's degree in business from the Norwegian School of Economics and Business Administration.



### Vice Chairman, Grace Reksten Skaugen, (born 1954)

Skaugen has a Doctorate in laser physics from Imperial College, London and an MBA from the Norwegian School of Management (BI). She has extensive experience in finance having spent nine years as a Director of Corporate Finance at Orkla Enskilda, one of Scandianvia's leading brokerage firms.



### Member, Håkon Wium Lie, (born 1965)

Wium Lie is Opera Software's CTO. Wium Lie is a Web pioneer, having worked on the WWW project at CERN, the cradle of the Web. Wium Lie holds a master's degree in Visual Studies from MIT's Media Laboratory, as well as undergraduate degrees in computer science from West Georgia College and Østfold College.



### Member, John R. Patrick, (born 1945)

Patrick is President of Attitude LLC and former vice president of Internet technology at IBM, where he worked for thirty-five years. John Patrick was a founding member of the World Wide Web Consortium at MIT in 1994 and holds various board positions in the US and internationally.



### Member, Nils Rydbeck, (born 1946)

Dr. Rydbeck, MSEE, PhD, PhD h.c., served as CTO and Senior Vice President R&D of Ericsson Mobile Phones between 1985-2001. Since 2002 he has combined being Professor of Communication Systems at Lund University, Sweden, with independent Executive Consultation.



### Member, Michael Tetzschner, (born 1954)

Tetzschner is Attorney at Law from University of Oslo, and a Member of the Norwegian Bar Association. He has held several executive management positions including Head of the Executive Board of the Municipality of Oslo.



### Employee representative, Live Leer, (born 1972)

Leer is desktop product line manager at Opera. She has worked at Opera since April 2001. She holds a bachelor's degree in journalism from the University of Colorado at Boulder and a master's degree in international relations from the University of California, San Diego.



### Employee representative, Snorre Grimsby, (born 1970)

Grimsby is quality assurance department manager and research coordinator at Opera. He has worked at Opera since January 2001. Grimsby holds a cand.mag.iks degree in international culture and society studies from University in Oslo.

Oslo, 23 March, 2006

Christian Thommessen  
*Chairman of the Board*

Grace Reksten Skaugen  
*Vice Chairman of the Board*

John R. Patrick

Håkon Wium Lie

Michael Tetzschner

Nils Rydbeck

Live Leer  
*Employee representative*

Snorre M. Grimsby  
*Employee representative*

Jon S. Von Tetzchner  
*Chief Executive Officer*

**Opera Software ASA**  
Consolidated Group Annual Accounts 2005

## Profit and Loss Account

[ Numbers in TNOK ]

Consolidated Group	Note	01.01 - 31.12			
		IFRS 2005	IFRS 2004	NGAAP 2004	NGAAP 2003
Revenue	1, 2, 6	153 954	99 325	99 325	78 531
Other income	3	0	87 689	87 689	0
<b>Total operating income</b>		<b>153 954</b>	<b>187 014</b>	<b>187 014</b>	<b>78 531</b>
Payroll and related expenses	4, 17	108 333	77 500	71 858	51 315
Depreciation expenses	8	2 055	1 184	2 756	2 724
Other operating expenses	4, 5, 8, 15	42 639	29 098	29 098	23 227
<b>Profit/loss from operation</b>		<b>927</b>	<b>79 232</b>	<b>83 302</b>	<b>1 265</b>
Interest income	6	3 145	3 100	3 100	905
Other financial income	6	3 283	2 259	2 259	784
Interest expenses	6	-8	-6	-6	-7
Other financial expenses	6	-2 729	-2 700	-2 700	-1 142
<b>Operating result before tax</b>		<b>4 618</b>	<b>81 885</b>	<b>85 955</b>	<b>1 805</b>
Tax on ordinary result	7, 17	-1 819	-24 354	-24 930	-1 429
<b>Net profit/loss for the year</b>		<b>2 799</b>	<b>57 531</b>	<b>61 025</b>	<b>376</b>
Earnings per share (NKR)	16	0.028	0.638	0.638	0.005
Diluted earnings per share (NKR)	16	0.027	0.587	0.587	0.005
<b>Profit/ loss for the year is allocated as follows:</b>					
Other equity		2 799	57 531	61 025	376

## Statement of recognised income and expense

[ Numbers in TNOK ]

Consolidated Group	Note	31.12.2005	31.12.2004
Conversion errors		-92	-6
<b>Net income recognised directly in equity</b>		<b>0</b>	<b>0</b>
<b>Profit for the period</b>		<b>2 799</b>	<b>57 531</b>
<b>Total recognised income and expense for the period</b>		<b>2 707</b>	<b>57 525</b>
<b>Attributable to:</b>			
Equity holders of the parent		2 707	57 525
Minority interest		0	0
<b>Total recognised income and expense for the period</b>	10	<b>2 707</b>	<b>57 525</b>

## Balance Sheet

[ Numbers in TNOK ]

Consolidated Group	Note	12/31/2005	12/31/2004
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Goodwill	8, 9	3 142	3 142
<b>Total intangible fixed assets</b>		<b>3 142</b>	<b>3 142</b>
<b>Tangible fixed assets</b>			
Office machinery, equipment etc.	8	9 251	2 338
<b>Total tangible fixed assets</b>		<b>9 251</b>	<b>2 338</b>
<b>Financial fixed assets</b>			
Deferred tax asset	7, 17	1 237	1 631
<b>Total financial fixed assets</b>		<b>1 237</b>	<b>1 631</b>
<b>Total fixed assets</b>		<b>13 630</b>	<b>7 111</b>
<b>Current assets</b>			
<b>Receivables</b>			
Accounts receivables	11	24 822	18 648
Unbilled revenue	11	57 142	10 979
Other receivables	11	11 385	3 777
<b>Total receivables</b>		<b>93 349</b>	<b>33 404</b>
Cash and cash equivalents	6	218 526	241 275
<b>Total current assets</b>		<b>311 875</b>	<b>274 679</b>
<b>Total assets</b>		<b>325 505</b>	<b>281 790</b>

## Balance Sheet

[ Numbers in TNOK ]

Consolidated Group	Note	12/31/2005	12/31/2004
<b>Shareholders' equity and liabilities</b>			
<b>Equity</b>			
<b>Called up capital</b>			
Share capital	10, 17	2 056	1 985
Share premium reserve	10, 17	208 188	200 701
Other reserves	10, 17	21 802	4 537
<b>Total called up capital</b>		<b>232 046</b>	<b>207 223</b>
<b>Retained earnings</b>			
Other equity	10, 17	57 904	55 197
<b>Total retained earnings</b>		<b>57 904</b>	<b>55 197</b>
<b>Total equity attributable to equity holders of the parent</b>		<b>289 950</b>	<b>262 420</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Account payable	11	4 945	2 794
Taxes payable	7	548	57
Social security, VAT and other taxation payable	11, 17	16 001	8 287
Other short-term liabilities	11	14 061	8 232
<b>Total short term liabilities</b>		<b>35 555</b>	<b>19 370</b>
<b>Total liabilities</b>		<b>35 555</b>	<b>19 370</b>
<b>Total equity and liabilities</b>		<b>325 505</b>	<b>281 790</b>

Oslo, 23 March, 2006

Christian Thommessen  
Chairman of the Board

Grace Reksten Skaugen  
Vice Chairman of the Board

John R. Patrick

Håkon Wium Lie

Michael Tetzschner

Nils Rydbeck

Live Leer  
Employee representative

Snorre M. Grimsby  
Employee representative

Jon S. Von Tetzchner  
Chief Executive Officer

## Cash flow statement

[ Numbers in TNOK ]

Consolidated Group	Note	01.01 - 31.12	
		2 005	2 004
<b>Cash flow from operating activities</b>			
Profit/loss before taxes		4 618	81 885
Taxes paid	7	-878	-678
Depreciation expenses	8	2 055	1 184
Changes in accounts receivable *)		-6 174	4 540
Changes in accounts payable		2 264	823
Changes in other accruals		-40 362	6 215
Share-based remuneration		2 995	3 583
Conversion discrepancy		-45	0
<b>Net cash flow from operating activities</b>		<b>-35 527</b>	<b>97 552</b>
<b>Cash flow from investment activities</b>			
Acquisition of tangible fixed assets	8	-9 034	-2 041
<b>Net cash flow from investment activities</b>		<b>-9 034</b>	<b>-2 041</b>
<b>Cash flow from financing activities</b>			
Payments of equity	10	21 812	117 376
<b>Net cash flow from financing activities</b>		<b>21 812</b>	<b>117 376</b>
<b>Net change in cash and cash equivalents</b>		<b>-22 749</b>	<b>212 887</b>
Cash and cash equivalents 01.01 **)		241 275	28 388
<b>Cash and cash equivalents 31.12</b>		<b>218 526</b>	<b>241 275</b>

\*) Changes in unbilled revenue is included in changes in accounts receivable in the cash flow statement.

\*\*) Cash and cash equivalents of NOK 19 604K is restricted assets as of December 31, 2005 and NOK 2 523K is restricted assets as per December 31, 2004.

## Note 1 Accounting principles

Opera Software ASA (the "Company") is a company domiciled in Norway. The consolidated financial statements of the Company for the year ended 31 December 2005 comprise the Company and its subsidiaries Hern Labs AB and Opera Software International AS, together referred to as the "Group".

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by EU and its interpretations adopted by the International Accounting Standards Board (IASB) and applicable regulations in the Norwegian Accounting Act. These are the Group's first consolidated financial statements and IFRS 1 has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 17.

### Basis of preparation

The consolidated financial statements are presented in NOK, rounded to the nearest thousand. They are prepared on the historical cost basis. None of the assets and liabilities is stated at their fair value due to the fact that the Group does not have any derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale. Receivables and debts are assumed to have a market value equalling booked value.

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 judgements 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. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRSs.1

The accounting policies have been applied consistently by Group entities.

### Basis of consolidation

#### Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company 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 that control commences until the date that control ceases.

#### Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

### Foreign currency

#### Foreign currency transactions

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



### Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to NOK at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to NOK at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

### Property, plant and equipment

#### Owned assets

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy regarding impairment). Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The group has only operational lease contracts as of 31 December 2005.

#### Subsequent costs

The Group recognises 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 recognised in the income statement as an expense as incurred.

### Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- cost rented premises 5 years
- machinery and equipment 4 years
- fixtures and fittings 5 years

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

### Intangible assets

#### Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 (see note 17).

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

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

#### Research and development

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

The company develops special designed browsers for use in its customers' products. A fee is paid to the company for this service and this fee should cover the costs related to the development of these custom made browsers. As the customers' payment covers the development costs, these costs are not reported in the balance sheet. Activities that are not specifically customer related are defined as research. See also principles of Revenue recognition.

#### Other intangible assets

Other intangible assets, excepted deferred tax asses (see accounting policy regarding income tax) that are acquired by the Group are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy regarding impairment).

#### Subsequent expenditure

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

#### Amortisation

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

#### Other trade and other receivables

Trade and other receivables are stated 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### Impairment

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 recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised 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. Goodwill was tested for impairment at 1 January 2004, the date of transition to IFRSs, even through no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### Calculation of recoverable amount

The recoverable amount of the Group's assets is the greater of their net selling price 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.

In respect of 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Dividends

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

### Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised 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 a Black & Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised 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.

## Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an 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.

## Warranties

A provision for warranties is recognised 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 recognised 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 stated cost.

## Revenue recognition

The company's revenue came from sales of the company's browser.

The company categorizes the income as follows:

### Revenue related to "Mobile" and "Internet devices"

- Development contracts where the company develops a special designed browser, which can be used in the customers products.
- License income.

### PC/"Desk top"

- License income
- Advertising income
- Other income

Development costs exceed a number of accounting periods. Consequently, the bookkeeping of income for each period is based on percents as degree of the total contract sum. The percents of degree are calculated as the relationship between total used hours and total estimated hours to finalize the contract. The part of the income, which is not invoiced the customer, is presented as unbilled revenue.

A dealer handles the browser sale. The company invoices the dealer each month based on the numbers submitted to the company each month. The sales are booked as income on the time of settlement with the dealer, i.e. at the time of delivery of the browser.

Opera receives royalty income based on browser sales on mobile phones. As of before, Opera got the number of units sold reported from its customers up to eight weeks after an actual quarter ended. This lead to a one quarter delay in the reporting of sales. As an example, revenue from units sold in the fourth quarter of 2004, was treated as ordinary income in the first quarter of 2005. Opera considers it impossible to make reliable estimates on quarterly unit sales. The actual sales depend on the level of success each device have in the market. In 2004, Opera did not have the information necessary to make such estimates. However, in 2005, this has changes as the company now receives estimates of the sale on an earlier basis and can thus include the income in the corresponding quarter. Hence, income from the fourth quarter of 2005 is reported in 2005.

Sales of advertising is related to a browser which are downloaded free of charge from Internet. Google and Advertising.com handle sales of advertising. The income is calculated from a specific number of clicks and a price per click, number of sold advertises with a specific price per advertising site or just as sales of an advertising site. Invoicing of advertising happens on a monthly basis and the sales are booked as income on the time of settlement with the dealer.

Other income is mainly related to net search in Google through the Opera browser.

## Other income (costs)

Material income and cost, which is not related to the normal course of business, are classified as other operating income (cost). Items that are unusual, irregular and material are classified as extraordinary items.

## Expenses

### Operating lease payments

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

### Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

Other finance income and costs comprise foreign exchange gains and losses, which are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Dividend income is recognised in the income statement on the date 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 tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation 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 recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

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

## Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## Note 2 income

[ Numbers in TNOK ]

According to the definition in the International Accounting Standard no. 14 Segment Reporting, Opera Software ASA claims that there is no area of operations or geographical markets. The reason is that the company does not deliver individually products or services or groups of these services that has a risk and dividend, which is different from other areas of operations. The group has one product, "the browser", which is materially the same regardless of what product it is part of. Further, according to the definition in IAS no. 14 the group does not have geographical markets that satisfy the standards definition to be classified as a segment. The group does not deliver individually products or services within a specific geographical market that has a risk and dividend, which are different from part of the operations that operates in other geographical markets.

However, Opera Software ASA has decided to provide further information about income concerning products and product groups where the Opera browser is an integrated part.

Income	2005	2004
Internet Devices	128 129	65 887
PC Desktop	25 825	33 438
Total	153 954	99 325
	<b>2005</b>	<b>2004</b>
Norway	1 910	587
Europe	61 392	47 371
USA/ Canada	54 327	33 339
Asia	36 325	18 028
Total	153 954	99 325

Internet Devices reflects income from royalty and support and service on browsers used on mobile phones, and on other internet connected devices, such as game-consoles and Internet TV set-top boxes. PC Desktop reflects income from Operas browser used on PCs including income from commercials and searches performed on the browser.

The above-mentioned numbers concerning geographical distribution of the sale, reflect sale to the customers of Opera Software ASA. The customers' products are globally distributed. Consequently, the overview does not provide a picture of where the products are utilized.

## Note 3 Other income

In 2004 Opera Software ASA settled legal claims with an international corporation resulting in payment to Opera of net USD 12.75 million which was posted as an income of NOK 87 689K the same year. The other party was not a customer of Opera and the settlement does not negatively impact future revenues.

## Note 4 Wage costs/ Number of employees/Renumerations

[ Numbers in TNOK ]

	Parent 01.01 - 31.12	
	2005	2004
Salaries	79 282	59 878
Social Security cost	20 161	12 959
Pension cost	1 862	0
Share-based remuneration	2 995	3 583
Other payments	4 033	1 080
<b>Wage cost</b>	<b>108 333</b>	<b>77 500</b>

Average number of employees	227	163
-----------------------------	-----	-----

The company has during 2005 established a pension scheme for the employees. The pension's scheme is a defined contribution plan.

### Remuneration to key management personnel (exclusive CEO) and members of the board:

	2005	2004
Fair value of share options to members of the board	427	0
Fair value of share options to key management personnel	4 903	2 966
	<b>5 330</b>	<b>2 966</b>
Total remuneration is included in "Wage cost"		
Director's fees to members of the board	913	640
Salary to key management personnel	4 775	4 713
	<b>5 688</b>	<b>5 353</b>

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

### Remuneration to the CEO

	2 005	2 004
Salary	881	776
Benefit by exercise options	1 700	0
Other compensation	2	2
Fees	0	0
Pension compensation	0	0

### Fees to the CEO and members to the chairman of the board

There are no existing agreements concerning severance pay to the CEO or the chairman of the board. The group has not given any loans or security deposits to CEO or the chairman of the board, or their related parties. Neither does the CEO or the chairman of the board have a bonus payment agreement.

### Independent auditors

The total fees billed by independent auditors during 2005 was NOK 495K. This dividends as following:

Statutory audit	315
Assurance services	32
Tax advisory fee	36
Other services	112
Total	495

## Note 4 options (continued)

[ Numbers in TNOK ]

The group has established a share option programme for a part of its employees. The options are granted by the board of directors. The options run for a four year period, where 25% of the options may be exercised every year (without certain exceptions where the board has decided that 40% of the option may be exercised in the first year and 20% in the subsequent years). The options may only be exercised during one month every year. If the option is not exercised, the option holder will lose the right to exercised the 25% for the year. The board may grant employees an extended exercise period. The group has granted the options with an exercise price equal to the estimated market value at grant date. Exercise prices for options as of 31.12.05 lies within 2.50 - 19.00. It is the group's principle is to make sure the exercise prices equals the marked price on the grant date.

The options are considered non-transferable to other persons. If the contract of employment is terminated, regardless of reason, the employee loses his right to exercise the options. However, the employee may keep shares bought through previously exercised options.

The number of options and the exercised price will change in the event of a share split.

The number and weighted average exercise prices of share options is as follows:

<i>In thousands of options</i>	Weighted average exercise price 2005	Number of options 2005	Weighted average exercise price 2004	Number of options 2004
Outstanding at the beginning of the period	4.69	7 030	3.52	8 485
Terminated (employee quit)	5.32	552	2.5	367
Exercised during the period	4.33	2 321	3.09	2 088
Granted during the period	11.67	2 790	10.45	1 000
Outstanding at the end of the period	7.57	6 947	4.69	7 030
Exercisable at the end of the period		155		338

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black and Scholes model.

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

Share options are granted under a service condition, not a market based condition. 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.

Fair value of share options and assumptions	2005	2004
Fair value at measurement date (average per option)	2.85	2.30
Expected volatility (weighted average)	0.52	0.48
Option life (adjusted for expectations of early exercise)	2.16	2.66
Expected dividends	0	0
Risk-free interest rate (based on national government bonds)	3.45	3.45
Total costs, booked as wage expenses		
	Note	
	2005	2004
Expensed in accordance with IFRS nr. 2	17	
	2 995	3 583
	2 995	3 583

## Note 4 options (continued)

[ Numbers in TNOK ]

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

The employees, which also are board members, is included in the table. Please see below for information about the board members.

Expiry date	Strike 2,50	Strike 7,20	Strike 10,00	Strike 14,30	Strike 15,70	Strike 18	Strike 19	Total
June 2004	1 670 250	0	0	0	0	0	0	1 670 250
November 2004	0	262 500	0	0	0	0	0	262 500
June 2005	1 358 250	0	122 500	0	0	0	0	1 480 750
November 2005		662 500	137 500	0	0	0	0	800 000
June 2006	1 248 250	0	863 750	90 000	0		0	2 202 000
November 2006	0	462 500	87 500	0	50 000	50 000	10 000	660 000
June 2007	1 248 250	0	863 750	90 000	0		0	2 202 000
November 2007	0	462 500	87 500	0	50 000	50 000	10 000	660 000
June 2008	0	0	413 750	90 000	0		0	503 750
November 2008	0	0	37 500	0	50 000	50 000	10 000	147 500
June 2009	0	0	291 250	90 000	0	0	0	381 250
November 2009	0	0	0	0	50 000	50 000	10 000	110 000
Total	5 525 000	1 850 000	2 905 000	360 000	200 000	200 000	40 000	11 080 000

Strike price = exercise price

Shares and options owned by members of the board and the general manager pr. 31.12.05:

Name	Commission	Shares	Options	Strike price	Total
Christian H. Thommessen **)	Chairman	845 000	0		845 000
Christian H. Thommessen (Sollund) **)	Chairman	765 000	0		765 000
Grace Reksten Skaugen	Vice Chairman	0	75 000	10	75 000
Håkon Wium Lie ***)	Board Member	1 530 056	200 000	7.2	200 000
Michael Tetzschner	Board Member	25 000	50 000	2.5	75 000
Nils Rydbeck	Board Member	0	75 000	10	75 000
John Patrick	Board Member	117 089	50 000	10	167 089
Live Leer****)	Board Member	12 408	25 000	2.5	37 408
Snorre Grimsby****)	Board Member	17 200	20 000	2.5	37 200
Snorre Grimsby****)	Board Member	0	100 000	10	100 000
Jon S. von Tetzchner ***)	CEO	17 483 447	200 000	7.2	200 000
		20 795 200	795 000		2 576 697

\*) COO Christian Jebsen and family control 83.4% of the shares in Sanner Industrier AS.

\*\*) Chairman Christian H. Thommessen owns (at present) 1 610 000 shares directly personal or through companies controlled by himself or his family. Christian H. Thommessen owns 50 % of Sollund AS.

\*\*\*) Håkon Wium Lie and Jon S. von Tetzchner have transferred their shares to Amadeus Invest AS. Primary insiders in Amadeus Invest AS are Mr. Tetzchner (85,7%), Mr. Lie (7,5 %) and Mrs. Bjørnvold (married to Rolf Assev) (2,8%). Please see note 10.

\*\*\*\*) Representative of employee.

Opera Software ASA grant options with a call price that represent a fair market value on the grant date.

## Note 4 options (continued)

[ Numbers in TNOK ]

### Shares and options owned by other leading employees as of 31.12.04:

Name	Title	Shares	Options	Strike price	Total
Rolf Assev	Chief Commercial Officer	579 820	200 000	7.2	779 820
Rolf Assev	Chief Commercial Officer	0	300 000	10	300 000
Christian Jebsen (Sanner Industries)*	Chief Operating Officer	1 399 300	75 000	2.5	1 474 300
Christian Jebsen	Chief Operating Officer	0	125 000	7.2	125 000
Christian Jebsen	Chief Operating Officer	0	300 000	10	300 000
Erik C. Harrell	Chief Financial Officer	0	200 000	15.7	200 000
Christen Krogh	VP Engineering	113 725	175 000	2.5	288 725
Christen Krogh	VP Engineering	0	350 000	10	350 000
Timo Bruns	Executive Vice President Mobile Business Unit	0	175 000	10	175 000
Timo Bruns	Executive Vice President Mobile Business Unit	0	100 000	14.3	100 000
Scott Hedrick	Executive Vice President Devices Business Unit	0	200 000	18	200 000
		<b>2 092 845</b>	<b>2 200 000</b>		<b>4 292 845</b>

## Note 5 Other expenses

[ Numbers in TNOK ]

	2005	2004
Consultancy fees for technical development	2 880	5 534
Rent and other office expenses	7 979	5 684
Inventory	5 761	4 263
Audit, legal and other advisory services	4 450	2 588
Travel expenses	6 934	4 449
Other expenses	14 635	6 580
Total other expenses	<b>42 639</b>	<b>29 098</b>

### Research

The expenses concerning research for source codes are mainly salaries. These salaries are for the company estimated to NOK 51 276K.

## Note 6 Financial market risk

[ Numbers in TNOK ]

Opera Software ASA has no interest bearing debt, financial fixed assets in the form of loan, semi-raw materials or investments in shares except from investment in the subsidiaries. Consequently, the financial risk the group faces is related to exchange risk in USD and EUR. Exchange rate fluctuation in the currency may have an effect on the sale and the P/L statement. Opera does not use financial derivatives to control the fluctuation in exchange rates or interest rates.

### Currency risk:

Opera Software's income is mainly in US dollar and Euro. Changes in exchange rates have an immediate effect on the company's revenue and result.

	2005		2004	
	Numbers in thousand NOK	%	Numbers in thousand NOK	%
NOK	1 693	1.10	587	0.59
USD	67 894	44.10	42 562	42.85
EUR	84 367	54.80	56 176	56.56
Sum	<b>153 954</b>	<b>100.00</b>	<b>99 325</b>	<b>100.00</b>

According to the Norwegian Central Bank, the 2005 average exchange rates for American Dollars and Euros against the NOK was 6.4450 (2004; 6.7372) and 8.0073 (2004; 8.3715). A reduction in the average dollar rate by 10 % would reduce the income and operating result by NOK 6.789K (2004; 4.201K). A reduction in the average euro rate by 10 % would reduce the income and operating result by NOK 8.437K (2004; 5.618K).

Accordingly would a 10 % increase in the average euro exchange rate would increase the income and operating result with the same numbers.

### Credit risk:

The guidelines for offering credit to customers are given by the management and the credit risk exposure are evaluated continuously. All customers asking for credit above a given amount are given a credit rating.

### Rent risk and cash unit trust:

As of 31 December 2005 the group has invested in two money market funds. The company's money market funds is booked at fair value and included in Cash and cash equivalents since the money can be immediately released from the fund. Opera Software ASA highlights the issue that loss after 31 December 2005 can occur when units are redeemed.

## Note 7 Tax

[ Numbers in TNOK ]

Consolidated Group	01.01 - 31.12	01.01 - 31.12
	2005	2004
<b>Tax expense for the year</b>		
Current tax	1 781	141
Deferred tax - gross changes	402	23 676
Taxes on capital raising costs	22	0
Tax paid abroad	0	537
Too much booked taxes previous year	-386	0
<b>Total tax expense for the year</b>	<b>1 819</b>	<b>24 354</b>
<b>Specification of tax payable:</b>		
Current tax	1 781	0
Taxes on capital raising costs	22	0
Too much booked taxes previous year	-386	0
Tax settlement previous year	-526	0
Prepaid tax Hern Labs	-240	0
Taxes on capital raising costs	-22	0
Tax paid to a foreign country	-80	0
<b>Total tax payable</b>	<b>548</b>	<b>0</b>

### Recognised deferred tax assets and liabilities/

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2 005	2 004	2 005	2 004	2005	2004
Inventory, office machinery etc.	217	-165	223	0	440	-165
Accounts receivable	-131	0	0	50	-131	50
Payroll tax on share options	-1 546	-612	0	0	-1 546	-612
Tax value of loss carry-forwards	0	-903	0	0	0	-903
<b>Deferred taxes/ (tax assets)</b>	<b>-1 460</b>	<b>-1 681</b>	<b>223</b>	<b>50</b>	<b>-1 237</b>	<b>-1 631</b>
Supplementary taxation	223	50	-223	-50	0	0
<b>Net deferred taxes / (tax assets)</b>	<b>-1 237</b>	<b>-1 631</b>	<b>0</b>	<b>0</b>	<b>-1 237</b>	<b>-1 631</b>

## Note 7 Tax

[ Numbers in TNOK ]

Deferred tax assets and liabilities/ Movement in temporary differences during the year	Balance	Posted to	Posted	Balance
	01.01.04	P/L	directly to the equity capital	31.12.04
Inventory, office machinery etc.	-145	-20	0	-165
Accounts payable	206	-156	0	50
Social security cost on share options	-261	-351	0	-612
Loss carry forward	-21 148	24 204	-3 959	-903
<b>Deferred taxes / (tax assets)</b>	<b>-21 347</b>	<b>23 677</b>	<b>-3 959</b>	<b>-1 631</b>
	Balance	Posted to	Posted	Balance
	01.01.05	P/L	directly to the equity capital	31.12.05
Inventory, office machinery etc.	-165	606	0	440
Accounts payable	50	-181	0	-131
Social security cost on share options	-612	-934	0	-1 546
Tax value of loss carry-forwards utilised	-903	903	0	-0
<b>Deferred taxes / (tax assets)</b>	<b>-1 631</b>	<b>394</b>	<b>0</b>	<b>-1 237</b>

The group's opinion is that deferred tax asset 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	Note	2 005	2004
Capital raising costs	10	-22	-3 959
<b>Total deferred taxes posted directly against the equity</b>		<b>-22</b>	<b>-3 959</b>
<b>Reconciliation of effective tax rate</b>	<b>2005</b>		<b>2 004</b>
Profit before tax		<b>4 618</b>	81 885
Income tax using the domestic corporation tax rate	28.0 %	<b>1 293</b>	28.0 % 22 928
Too much booked taxes previous year	-8.4 %	<b>-386</b>	0.0 % 0
Tax paid to a foreign country	0.0 %	<b>0</b>	0.7 % 537
Taxes on other permanent differences	19.7 %	<b>912</b>	889
	39.4 %	<b>1 819</b>	29.7 % 24 354

### Permanent differences

Permanent differences does not include non-deductible costs, including costs related to share-based remuneration.

## Note 8 Fixed assets

[ Numbers in TNOK ]

Consolidated Group					2 005	2004
	Cost rented premises	Machinery and equipment	Fixtures and fittings	Goodwill	Total	Total
<b>Acquisition cost</b>						
Acquisition cost as of 01.01.	2 263	2 482	2 973	7 857	15 575	13 535
Acquisitions	1 355	6 106	1 573	0	9 034	2 040
Disposals	0	0	-136	0	-136	0
<b>Acquisition cost as of 31.12.</b>	<b>3 618</b>	<b>8 588</b>	<b>4 410</b>	<b>7 857</b>	<b>24 473</b>	15 575
<b>Depreciation</b>						
Depreciation as of 01.01	1 716	1 958	1 706	4 715	10 095	7 338
Disposals fixed assets	0	0	-69	0	-69	0
Accumulated depreciation as of 31.12.	2 294	2 589	2 482	4 715	12 080	10 095
<b>Net book value as of 31.12.</b>	<b>1 324</b>	<b>5 999</b>	<b>1 928</b>	<b>3 142</b>	<b>12 393</b>	5 480
<b>Depreciation for the year</b>	578	631	846	0	2 055	1 184
Useful life	5 years	Up to 4 years	Up to 5 years	Up to 5 years		
Depreciation plan	Linear	Linear	Linear	Linear		

Goodwill relates to the acquisition of the company Hern Labs AB, see note 9.

The depreciation plan for Machinery and equipment was in 2005 altered from 3 to 4 years.

### Operating leases:

The Group rents offices in Waldemar Tranes Gate 84, 86 and 98. The Group has in 2005 entered into a new lease lasting throughout 2010 with an option for renewal. There are not entered into the balance sheet because the lease is not according to IAS 17 considered as a financial lease.

	2 005	2 004
Leasing costs expensed	6 297	4 023
Duration of the lease contract	31.12.10	31.12.05
	2 005	2 004
Non-terminable operating leases due in:		
Less than one year	5 890	3 020
Between one to five years	24 799	0
More than five years	0	0
	30 689	3 020

## Note 9 Investment in subsidiary

[ Numbers in TNOK ]

Company	Hern Labs AB	Opera Software International AS
<b>Formal information</b>		
Date of purchase	12/13/2000	05/01/2005
Registered office	Linköping in Sweden	Oslo in Norway
Ownership interest	100%	100%
Proportion of votes	100%	100%
<i>Information related to the date of purchase (in the year of purchase)</i>		
Purchase cost	7 965	1 006
Goodwill at acquisition cost	7 857	0

Opera Software ASA's financial statement are available at Opera Software ASA's head quarter in Waldemar Tharnes gt. 98 in Oslo, Norway

### Information regarding goodwill in accordance with change in accounting principles to IFRS

Acquisition cost	7 857
Accumulated depreciation as of 31.12.04	6 287
Net book value as of 31.12.04	1 570
Reversed depreciation 2004	1 572
Net book value as of 01.01.04	3 142

For further information regarding change in accounting principles to IFRS, see note 17.

### Testing at a decrease in value for cash generating units including goodwill.

Recognised goodwill is related to the acquisition of the company Hern Labs AB. Hern Labs AB is a development company which delivers development services to Opera Software ASA. Hern Labs AB uses a cost plus model. Hence, it is difficult to estimate the value of Hern Labs AB on the basis of the its cash flows. The Opera Software ASA Group is thus considered to be the smallest cash generating unit. As the recognized goodwill is considered to be immaterial, the group has not performed a complete impairment test as of December 31. 2005 according to IAS 36. The Group considers it is not necessary to recognize an impairment loss concerning goodwill. This judgement has, among other things, been based on the fact that the market value of the Opera Group is considerably higher than the equity.

## Note 10 Shareholders' equity and information

[ Numbers in TNOK ]

	Face value	Number	Share capital	Premium fond	Other reserves	Conversion discrepancy	Other equity	Total
<b>Equity as of 31.12.2003</b>	<b>0.02</b>	<b>84 653</b>	<b>1 693</b>	<b>79 658</b>	<b>954</b>	<b>0</b>	<b>-2 328</b>	<b>79 977</b>
Increase of equity	0.02	14 612	292	121 043				121 335
Total recognised income and expense						-6	57 531	57 525
Share-based remuneration, net after taxes					3 583			3 583
<b>Equity as of 31.12.2004</b>	<b>0.02</b>	<b>99 265</b>	<b>1 985</b>	<b>200 701</b>	<b>4 537</b>	<b>-6</b>	<b>55 203</b>	<b>262 420</b>
<b>Changes in equity in current year</b>								
Increase of equity	0.02	3 562	71	7 492				7 563
Increase of equity not registered in 2005					14 270			14 270
Share-based remuneration, net after taxes					2 995			2 995
Total recognised income and expense						-92	2 799	2 707
<b>Equity as of 31.12.2005</b>	<b>0.02</b>	<b>102 827</b>	<b>2 056</b>	<b>208 188</b>	<b>21 802</b>	<b>-98</b>	<b>58 002</b>	<b>289 950</b>

See note 18 Transition to IFRS regarding correction of the opening balance.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Group's residual assets. The Group does not have any preference shares.

For information regarding share options, please see the accompanying note no. 4.

On 15 June 2005 The General Meeting decided to give the Board of Directors a authority to expand the share capital by NOK 199K.

The Board of Directors have used the authority during 2005 and expanded the share capital by NOK 16K (determined but not registered increase of equity). Rest of the authority not used by 31 December 2005 are NOK 182K. The authority is valid until the next ordinary General Meeting in 2006, still no longer than 30 June 2006.

### Paid in, not registered increase of capital

On 18 November 2005 the Board of Directors decided to increase the capital by NOK 6K form NOK 2 056K to NOK 2 062K, and the share premium reserve by NOK 2 414K prior to the cost concerning the transaction, on November 25, 2005 the Board of Directors decided to increase the capital by NOK 10K form NOK 2 062K to NOK 2 073K, and the share premium reserve by NOK 3 840K prior to the cost concerning the transaction and on 14 December 2005 the Board of Directors decided to increase the capital by NOK 85K form NOK 2 073K to NOK 2 158K, and the share premium reserve by NOK 7 915K prior to the cost concerning the transaction.

The increase in capital was registered in the Register of Business Enterprises in 2006 and is therefore presented as.

Increase of equity not registered in 2005. The new shares give right to dividend from fiscal year 2005.

## Note 10 Shareholders' equity and information

[ Numbers in TNOK ]

### Warrants

At an extraordinary General Meeting in August 2002 it was decided to issue 350,000 warrants to International Business Machines ("IBM) as part of a contract signed in June 2002. The warrant expires five years after the commercial agreement has been signed, or two and a half years after an stock-exchange listing of the company.

The redemption price is set at NOK 2.5 per stock.

### Ownership structure:

Stockholders owning more than 1 % of Opera Software ASA as of 31 December 2005 were:

	Number of Shares	Owner's share	Voting share
Amadeus Invest AS	20 400 755	19.84%	19.84%
Arepo AS	18 512 120	18.00%	18.00%
JPMorgan Chase Bank, European Market Services	8 000 000	7.78%	7.78%
Caprice AS	5 945 970	5.78%	5.78%
JPMorgan Chase Bank, Clients Treaty Account	3 895 500	3.79%	3.79%
Arion Custody, C/O Handelsbanken Custody Services	3 253 890	3.16%	3.16%
Bank of New York, BNY GCM Client Accounts (E) ISG	2 844 000	2.77%	2.77%
Nordea Bank Denmark AS, Securities Operations/HH	1 672 014	1.63%	1.63%
Extellus AS	1 669 135	1.62%	1.62%
Sanner Industrier AS	1 399 300	1.36%	1.36%
Vital Forsikring ASA (omløp), v/Drift Liv	1 274 986	1.24%	1.24%
Bank of New York, S/A Equity Tri-party	1 266 311	1.23%	1.23%
Wilhelmsen Capital ASA, C/O Anders Wilhelmsen AS	1 183 600	1.15%	1.15%
JPMorgan Chase Bank, Institutional Services	1 173 250	1.14%	1.14%
<b>Sum</b>	<b>72 490 831</b>	<b>70.50%</b>	<b>70.50%</b>
Rest of the shares	<b>30 336 249</b>	<b>29.50%</b>	<b>29.50%</b>
<b>Total numbers of shares</b>	<b>102 827 080</b>	<b>100.00%</b>	<b>100.00%</b>

## Note 11 Accounts receivable, other receivables, accounts payable and other payables

[ Numbers in TNOK ]

Financial assets and liabilities mainly compromise short term items (not interest bearing). Based on this it is managements assessment that Opera Group does not have financial assets or liabilities with potentially significant differences between net book value and fair value.



## Note 12 Contingent outcome

[ Numbers in TNOK ]

Claim for compensation from former Japanese distributor:

During the spring of 2004, Opera replaced its distributor in Japan. Following this, the former distributor launched a claim against Opera based on their assertion that Opera is obliged to purchase back their inventory of unsold Opera products. In Opera's opinion, the claim clearly lacks merit. Opera has contested the claim and will continue to do so vigorously.

The distributor took legal proceedings against Opera and Operas new distributor at the Court of Tokyo June 2005. The proceeding was served to Opera in October 2005. According to the proceeding Opera and the new distributor are sued for JPY 41 052 520 (app. NOK 7 141K). The contract is governed by Norwegian law and all disputes must be resolved by the courts of Norway. Consequently, the group has not booked any accruals in the financial statement related to the issue.

## Note 13 Subsequent event

Subsequent to the balance sheet date, the group is not aware of any issues that will have a significant impact on the financial statements.

## Note 14 Accounting estimates and judgements

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.

### Key sources of estimation uncertainty

Based on signed contracts with large, established market participants, Opera develops and adjusts Opera browser so that it is compatible with mobile phones, game consoles etc. The adjustments and modifications are done continuously over time. Hence, income and costs are booked in accordance with the percent of completion method. Estimation of degree of completion is based on best estimate. The management's choice of estimates for degree of completion will have a considerable effect on booked income. The company has in note 6 given a detailed analysis of the currency risk and risk related to changes in the foreign exchange rates.

The group has established an option program for its employees. The options are booked in accordance with IFRS 2. The option cost is estimated on a basis of various assumptions, such as volatility, interest level, dividend and the assumption of how many that will exercise their option etc. The chosen assumptions may have a great impact on the size of the option cost. The assumptions are given in note 4.

### Critical accounting judgements in applying the company's accounting policies

The group has changed its activities related to technological development so that it is in accordance with IAS 38. Based on this evaluation it has been decided not to post expenses related to these activities to balance. The reasoning for this is that the group has entered into contracts with customers, committing the group to develop a custom made browser for a settled fee. The fee received is meant to compensate Opera's expenses related to this specific technological development. These projects are booked in accordance with the percent of completion method, which states that related income and expenses should be booked in the same period. Other activities are defined as research and booked in accordance with the percent of completion method.

Opera receives royalties which covers development, a guaranteed number of licenses, as well as maintenance in the subsequent period. The elements in the different contracts are assessed in accordance with best estimate at true value and booked as the elements are delivered. If the elements can not be separated, all income is booked in aggregation in accordance with the percent of completion method.

## Note 15 Related parties

The group has not been involved in any transactions with related parties beyond transactions with the subsidiaries Hern Labs and Opera Software International AS, and transactions with its directors and executive officers. Please see the accompanying note 4 and 9.

One member of the Board of the Directors, John Patrick, has in 2005 received USD 13 500 for consultancy on behalf of Opera Software ASA. The consultant-agreement was signed July 1,2005.

### Transactions with key management personnel

Directors of the Group and their immediate relatives control 23 per cent of the voting shares of the Group. The Group did not have any loans to directors or key management personnel as of 31 December 2004 and as of 31 December 2005.

Executive officers also participate in the group's share option programme (see note 4)

The key management personnel compensations please see the accompanying note no. 4.

## Note 16 Earnings pr. share

[ Numbers in TNOK ]

	2 005	2 004
Net result	2 799 000	57 531 000
Time average of outstanding shares 1)	100 698 801	95 634 941
Earnings pr. share	0.028	0.602
Equity diluted earnings per share	0.027	0.553

### Basic earnings per share

The calculation of basic earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 December 2005 are calculated as follows:

1)	Calculation of average number of shares		
	Number of shares outstanding as of January 1	99 265 497	84 652 747
	Share issue 06.06.2005 (208 days)	1 508 250	
	Share issue 20.09.2005 (102 days)	2 053 333	
	Share issue 10.03.2004 (296 days)		12 500 000
	Share issue 16.03.2004 (290 days)		357 500
	Share issue 22.06.2004 (192 days)		1 492 750
	Share issue 15.12.2004 (16 days)		262 500
	Average number of shares	100 698 801	95 634 941

### The following equity instruments has diluting effect

Options	6 791 500	6 627 250
Warrants	350 000	6 670 000
Total	7 141 500	13 297 250

The options and the warrants have various call prices and reflect a cash inflow of NOK 51 249k (2004; 41,704k). According to GAAP regarding earnings per share, the cash inflow is included in the calculations of diluted earnings per shares.

Average market value, which is used in the calculations, is calculated as the average share price in the period 01.01.05-31.12.2005 (2004; 11.03.-31.12.2004). The company was registered on Oslo stock Exchange on 11 March 2004. The average market value is calculated to be NOK 12.93 (2004; 8.52).

Options and warrants	7 141 500	13 297 250
Number of bought shares (NOK 41 704K/8.52)	3 963 592	4 894 835
Number of shares with diluting effect	3 177 908	8 402 415

## Note 17 Explanation of transition to IFRSs

[ Numbers in TNOK ]

As stated in note 1, these are the company's first consolidated financial statements prepared in accordance with IFRSs

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004 (the group's date of transition).

### The effect of the changes in the opening IFRS balance sheet

In preparing its opening IFRS balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous NGAAP). An explanation of how the transition from previous NGAAP to IFRSs has affected the group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

	Note	31.12.04		IFRSs
		Previous NGAAP	Effect of transition to IFRSs	
<b>Assets</b>				
Goodwill	9	1 571	1 572	3 143
Tax effect of payroll tax on share based remuneration		1 055	576	1 631
<b>Liabilities</b>				
Payroll tax on share based remuneration	7	0	2 058	2 058
<b>Equity</b>				
Share-based remuneration, net after taxes	8	0	3 583	3 583
Effect of transition to IFRSs		0	-3 493	-3 493

There has been no differences between IFRS and NGAAP numbers which has influence on the balance as of 1 January 2004.

### Notes to the reconciliation of equity

#### Acquisition and treatment of goodwill

IFRS 3 is applied for all mergers that have taken place after 01.01.2004 (time of implementation of IFRS). As a result of this, goodwill is not depreciated in accordance with IFRS from 01.01.2004, but tested annually with respect to decrease in value.

Following the adjustments above, booked goodwill has increased by NOK 1 572 as of 01.01.2004 (net after reversal of depreciations on goodwill regarding 2004).

The above mentioned transaction has not had any effect on the group's tax expense, deferred tax or tax payable.

## Note 17 Explanation of transition to IFRSs

[ Numbers in TNOK ]

### Share based remuneration

The group applied IFRS 2 to its active share-based payment arrangements at 1 January 2005 except for equity-settled share-based payment arrangements granted before 7 November 2002. The company has granted equity-settled share-based payments in 2004 and 2005. The group accounted for these share-based payment arrangements at intrinsic value under previous NGAAP. This has been adjusted to fair value to be consistent with IFRS and book the equity-settled share-based payments at fair value. The effect of accounting for equity-settled share-based payment transactions at fair value is to increase the salaries by NOK 3 583K for the year ended 31 December 2004. The adoption of IFRS 2 is equity-neutral for equity-settled transactions. The transactions had no effect on tax on ordinary result, deferred tax asset and taxes payable. The effect of accounting for payroll tax of the equity-settled share-based payment transactions at fair value is to increase the salaries by NOK 2 058k for the year ended 31 December 2004. The tax effect of the transactions has been a reduction of tax on ordinary result and an increase of the deferred tax asset by NOK 576K. The comparable 2004 numbers have been changed due to changes in the accounting principles.

This changes outlined above leads to the following effects:

	Share capital	Premium fond	Other reserves	Other equity	Sum
<b>Equity 31.12.2004 NGAAP</b>	<b>1 985</b>	<b>200 701</b>	<b>954</b>	<b>58 690</b>	<b>262 330</b>
Reversal of depreciation of goodwill				1 572	1 572
Share-based remuneration, net after taxes			3 583	-3 583	0
Correction of opening balance (payroll tax)				-2 058	-2 058
Tax effect of the equity transaction				576	576
<b>Equity 01.01.05 IFRS</b>	<b>1 985</b>	<b>200 701</b>	<b>4 537</b>	<b>55 197</b>	<b>262 420</b>

### Reconciliation of profit for 2004

	Note	NGAAP	Effect of transition to IFRSs	IFRSs
Revenue		99 325		99 325
Other income		87 689		87 689
		187 014		187 014
Payroll and related expenses		71 858	5 642	77 500
Depreciation expenses		2 756	-1 572	1 184
Other operating expenses		29 098		29 098
<b>Profit/loss from operation</b>		<b>83 302</b>		<b>79 232</b>
Interest income		3 100		3 100
Other financial income		2 259		2 259
Interest expenses		-6		-6
Other financial expenses		-2 700		-2 700
<b>Operating result before tax</b>		<b>85 955</b>		<b>81 885</b>
Tax on ordinary result		-24 930	576	-24 354
<b>Ordinary result</b>		<b>61 025</b>		<b>57 531</b>

### Explanation of material adjustments to the cash flow statement

The circumstances described above had no effect on the numbers in the cash flow statement, except of the classification between the numbers under operating activities.

**Opera Software ASA**  
Parent Company Annual Accounts 2005

## Profit and Loss Account

[ Numbers in TNOK ]

Parent	Note	01.01 - 31.12			
		IFRS 2005	IFRS 2004	NGAAP 2004	NGAAP 2003
Revenue	1, 2, 6	153 954	99 325	99 325	78 531
Other income	3	0	87 689	87 689	0
<b>Total operating income</b>		<b>153 954</b>	<b>187 014</b>	<b>187 014</b>	<b>78 531</b>
Payroll and related expenses	4, 18	92 071	66 742	61 100	42 937
Depreciation expenses	8	1 504	924	924	1 020
Other operating expenses	4, 5 10, 16	61 009	40 811	40 811	32 501
<b>Profit/loss from operation</b>		<b>-630</b>	<b>78 537</b>	<b>84 179</b>	<b>2 073</b>
Interest income	6	3 122	3 077	3 077	882
Other financial income	6	3 185	2 213	2 213	780
Interest expenses	6	-8	-6	-6	-3
Other financial expenses	6	-2 173	-2 610	-2 610	-994
<b>Operating result before tax</b>		<b>3 496</b>	<b>81 211</b>	<b>86 853</b>	<b>2 738</b>
Tax on ordinary result	7, 18	-1 506	-24 154	-24 730	-1 247
<b>Net profit/loss for the year</b>		<b>1 990</b>	<b>57 057</b>	<b>62 123</b>	<b>1 491</b>
Earnings per share (NKR)	17	0.020	0.597	0.617	0.005
Diluted earnings per share (NKR)	17	0.019	0.548	0.598	0.005
	16				
<b>Profit/ loss for the year is allocated as follows:</b>					
Other equity		1 990	57 057	62 123	1 491

## Statement of recognised income and expense

[ Numbers in TNOK ]

Parent	Note	31.12.2005	31.12.2004
Net income recognised directly in equity		0	0
<b>Profit for the period</b>		<b>1 990</b>	<b>57 057</b>
<b>Total recognised income and expense for the period</b>		<b>1 990</b>	<b>57 057</b>
<b>Attributable to:</b>			
Equity holders of the parent		1 990	57 057
Minority interest		0	0
<b>Total recognised income and expense for the period</b>	11	<b>1 990</b>	<b>57 057</b>

## Balance Sheet

[ Numbers in TNOK ]

Parent	Note	12/31/2005	12/31/2004
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Office machinery, equipment etc.	8	7 914	1 527
<b>Total tangible fixed assets</b>		<b>7 914</b>	<b>1 527</b>
<b>Financial fixed assets</b>			
Deferred tax asset	7, 18	1 454	1 784
Investments in subsidiaries	9	8 971	7 965
<b>Total financial fixed assets</b>		<b>10 425</b>	<b>9 749</b>
<b>Total fixed assets</b>		<b>18 339</b>	<b>11 276</b>
<b>Current assets</b>			
<b>Receivables</b>			
Accounts receivables	10,12	24 821	18 648
Unbilled revenue	12	57 142	10 979
Other receivables	10,12	10 831	2 641
<b>Total receivables</b>		<b>92 794</b>	<b>32 268</b>
Cash and cash equivalents	6	214 847	239 177
<b>Total current assets</b>		<b>307 641</b>	<b>271 445</b>
<b>Total assets</b>		<b>325 980</b>	<b>282 721</b>

## Balance Sheet

[ Numbers in TNOK ]

Parent	Note	12/31/2005	12/31/2004
<b>Shareholders' equity and liabilities</b>			
<b>Equity</b>			
<b>Called up capital</b>			
Share capital	11, 18	2 056	1 985
Share premium reserve	11, 18	208 188	200 696
Other reserves	11, 18	21 802	4 537
<b>Total called up capital</b>		<b>232 046</b>	<b>207 218</b>
<b>Retained earnings</b>			
Other equity	11, 18	60 538	58 548
<b>Total retained earnings</b>		<b>60 538</b>	<b>58 548</b>
<b>Total equity attributable to equity holders of the parent</b>		<b>292 584</b>	<b>265 766</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Account payable	10, 12	7 339	2 702
Taxes payable	7	549	0
Social security, VAT and other taxation payable	12, 18	15 618	7 196
Other short-term liabilities	10, 12	9 890	7 057
<b>Total short term liabilities</b>		<b>33 396</b>	<b>16 955</b>
<b>Total liabilities</b>		<b>33 396</b>	<b>16 955</b>
<b>Total equity and liabilities</b>		<b>325 980</b>	<b>282 721</b>

Oslo, 23 March, 2006

Christian Thommessen  
*Chairman of the Board*Grace Reksten Skaugen  
*Vice Chairman of the Board*

John R. Patrick

Håkon Wium Lie

Michael Tetzschner

Nils Rydbeck

Live Leer  
*Employee representative*Snorre M. Grimsby  
*Employee representative*Jon S. Von Tetzchner  
*Chief Executive Officer*

## Cash flow statement

[ Numbers in TNOK ]

Parent	Note	01.01 - 31.12	
		2 005	2 004
<b>Cash flow from operating activities</b>			
Profit/loss before taxes		3 496	81 211
Taxes paid	7	-606	-537
Depreciation expenses	8	1 504	924
Changes in accounts receivable *)		-52 337	4 540
Changes in accounts payable		4 636	122
Changes in other accruals		3 067	6 692
Share-based remuneration		2 995	3 583
<b>Net cash flow from operating activities</b>		<b>-37 245</b>	<b>96 535</b>
<b>Cash flow from investment activities</b>			
Acquisition of tangible fixed assets	8	-7 890	-1 284
Acquisition of shares	9	-1 006	0
<b>Net cash flow from investment activities</b>		<b>-8 896</b>	<b>-1 284</b>
<b>Cash flow from financing activities</b>			
Payments of equity	11	21 811	117 376
<b>Net cash flow from financing activities</b>		<b>21 811</b>	<b>117 376</b>
<b>Net change in cash and cash equivalents</b>		<b>-24 330</b>	<b>212 627</b>
Cash and cash equivalents 01.01 **)		239 177	26 550
<b>Cash and cash equivalents 31.12</b>		<b>214 847</b>	<b>239 177</b>

\*) Changes in unbilled revenue is included in changes in accounts receivable in the cash flow statement.

\*\*) Cash and cash equivalents of NOK 19 604K is restricted assets as of December 31, 2005 and NOK 2 523K is restricted assets as per December 31, 2004.

## Note 1 Accounting principles

Information about the accounting principles are given in the accompanying notes no 1 in the consolidated financial statement.

## Note 2 income

Information about the income are given in the accompanying notes no 2 in the consolidated financial statement.

## Note 3 Other income

Information about the other income are given in the accompanying notes no 3 in the consolidated financial statement.

## Note 4 Wage costs/ Number of employees/Renumerations

[ Numbers in TNOK ]

	Parent	
	01.01 - 31.12	
	2005	2004
Salaries	68 391	52 407
Social Security cost	15 596	10 589
Pension cost	1 289	0
Share-based remuneration	2 995	3 583
Other payments	3 800	163
<b>Wage cost</b>	<b>92 071</b>	<b>66 742</b>
Average number of employees	193	141

The company has during 2005 established a pension scheme for the employees. The pension's scheme is a defined contribution plan.

### Remuneration to key management personnel

Information about remuneration to key management personnel are given in the accompanying notes no 4 in the consolidated financial statement.

### Independent auditors

The total fees billed by independent auditors during 2005 was NOK 467K. This dividends as following:

Statutory audit	287
Assurance services	32
Tax advisory fee	36
Other services	112
<b>Total</b>	<b>467</b>

### Options

Information about options are given in the accompanying notes no 4 in the consolidated financial statement.

## Note 5 Other expenses

[ Numbers in TNOK ]

	2005	2004
Intercompany services	21 244	13 473
Consultancy fees for technical development	2 880	5 534
Rent and other office expenses	6 600	5 001
Inventory	5 152	4 095
Audit, legal and other advisory services	4 068	2 508
Travel expenses	6 175	4 171
Other expenses	14 890	6 029
<b>Total other expenses</b>	<b>61 009</b>	<b>40 811</b>

### Research

Opera Software ASA has bought services concerning the source codes of Opera's browsers from Hern Labs AB for NOK 21 244K (2004; 13,473K). The research costs are included in other costs in the financial statement.

The expenses concerning research for source codes are mainly salaries. These salaries are for the company estimated to NOK 51 276K.

## Note 6 Financial market risk

Information about financial market risk are given in the accompanying notes no 6 in the consolidated financial statement.

## Note 7 Tax

[ Numbers in TNOK ]

Parent	01.01 - 31.12 2005	01.01 - 31.12 2004
<b>Current tax:</b>		
Profit/ loss before taxes and extraordinary items	3 496	81 211
Permanent differences	3 186	-11 008
Changes in temporary differences	2 050	2 099
Use of taxable loss carried forward	-3 226	-72 302
<b>Basis for current tax</b>	<b>5 506</b>	<b>0</b>
Tax 28%	1 542	0
<b>Current tax</b>	<b>1 542</b>	<b>0</b>
<b>Tax expense for the year</b>		
Current tax	1 542	0
Deferred tax - gross changes	329	23 617
Taxes on capital raising costs	22	0
Tax paid abroad	0	537
Too much booked taxes previous year	-386	0
<b>Total tax expense for the year</b>	<b>1 506</b>	<b>24 154</b>
<b>Specification of tax payable:</b>		
Current tax	1 542	0
Taxes on capital raising costs	22	0
Too much booked taxes previous year	-386	0
Tax settlement previous year	-527	0
Taxes on capital raising costs	-22	0
Tax paid to a foreign country	-80	0
<b>Total tax payable</b>	<b>549</b>	<b>0</b>

### Recognised deferred tax assets and liabilities/

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2 005	2 004	2 005	2 004	2005	2004
Inventory, office machinery etc.	0	-165	223	0	223	-165
Accounts receivable	-131	0	0	50	-131	50
Payroll tax on share options	-1 546	-765	0	0	-1 546	-765
Tax value of loss carry-forwards	0	-903	0	0	0	-903
Deferred taxes/ (tax assets)	-1 677	-1 833	223	50	-1 454	-1 784
Supplementary taxation	223	50	-223	-50	0	0
<b>Net deferred taxes / (tax assets)</b>	<b>-1 454</b>	<b>-1 784</b>	<b>0</b>	<b>0</b>	<b>-1 454</b>	<b>-1 784</b>

## Note 7 Tax

[ Numbers in TNOK ]

Deferred tax assets and liabilities/ Movement in temporary differences during the year				
	Balance 01.01.04	Posted to P/L	Posted directly to the equity capital	Balance 31.12.04
Inventory, office machinery etc.	-145	-20	0	-165
Accounts payable	113	-63	0	50
Social security cost on share options	-261	-504	0	-765
Loss carry forward	-21 148	24 204	-3 959	-903
Deferred taxes / (tax assets)	-21 441	23 617	-3 959	-1 784
	Balance 01.01.05	Posted to P/L	Posted directly to the equity capital	Balance 31.12.05
Inventory, office machinery etc.	-165	389	0	224
Accounts payable	50	-181	0	-131
Social security cost on share options	-765	-781	0	-1 546
Tax value of loss carry-forwards utilised	-903	903	0	0
Deferred taxes / (tax assets)	-1 784	330	0	-1 454

The company's opinion is that deferred tax asset 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	Note	2 005	2004
Capital raising costs	11	-22	-3 959
<b>Total deferred taxes posted directly against the equity</b>		<b>-22</b>	<b>-3 959</b>

Reconciliation of effective tax rate	2005		2 004	
Profit before tax		<b>3 496</b>		81 211
Income tax using the domestic corporation tax rate	28.0 %	<b>979</b>	28.0 %	22 740
Too much booked taxes previous year	-11.0 %	<b>-386</b>	0.0 %	0
Tax paid to a foreign country	0.0 %	<b>0</b>	0.7 %	537
Taxes on other permanent differences	26.1 %	<b>914</b>		877
	43.1 %	<b>1 506</b>	29.7 %	24 154

### Permanent differences

Permanent differences does not include non-deductable costs, including costs related to share-based remuneration.

## Note 8 Fixed assets

[ Numbers in TNOK ]

Parent				2 005	2004
	Cost rented premises	Machinery and equipment	Fixtures and fittings	Total	Total
<b>Acquisition cost</b>					
Acquisition cost as of 01.01.	2 263	2 481	1 545	<b>6 289</b>	5 005
Acquisitions	1 355	6 106	429	<b>7 890</b>	1 284
<b>Acquisition cost as of 31.12.</b>	<b>3 618</b>	<b>8 587</b>	<b>1 974</b>	<b>14 179</b>	6 289
<b>Depreciation</b>					
Depreciation as of 01.01	1 716	1 957	1 088	<b>4 761</b>	3 837
Accumulated depreciation as of 31.12.	2 294	2 588	1 382	<b>6 264</b>	4 761
<b>Net book value as of 31.12.</b>	<b>1 324</b>	<b>5 999</b>	<b>592</b>	<b>7 914</b>	1 527
<b>Depreciation for the year</b>	578	631	295	<b>1 504</b>	924
Useful life	5 years	Up to 4 years	Up to 5 years		
Depreciation plan	Linear	Linear	Linear		

The depreciation plan for Machinery and equipment was in 2005 altered from 3 to 4 years.

### Operating leases:

Information about operating leases are given in the accompanying notes no 8 in the consolidated financial statement.

## Note 9 Investment in subsidiary

[ Numbers in TNOK ]

The shares in the subsidiaries are booked according at cost price.

Company	Hern Labs AB	Opera Software International AS
<b>Formal information</b>		
Date of purchase	12.13.2000	05.01.2005
Registered office	Linköping in Sweden	Oslo in Norway
Ownership interest	100%	100%
Proportion of votes	100%	100%
<b>Information related to the date of purchase (in the year of purchase)</b>		
Purchase cost	7 965	1 006

Opera Software ASA's financial statement are available at Opera Software ASA's head quarter in Waldemar Tharnes gt. 98 in Oslo, Norway



## Note 10 Outstanding accounts between companies within the same group etc.

[ Numbers in TNOK ]

	Accounts receivables		Other receivables	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Entity within group	0	0	1 893	0
<b>Sum</b>	<b>0</b>	<b>0</b>	<b>1 893</b>	<b>0</b>

	Other long term liabilities		Accounts payable	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Entity within group	0	0	3 331	373
<b>Sum</b>	<b>0</b>	<b>0</b>	<b>3 331</b>	<b>373</b>

## Note 11 Shareholders' equity and information

[ Numbers in TNOK ]

Parent	Face value	Number	Share capital	Premium fond	Other reserves	Other equity	Total
<b>Equity as of 31.12.2003</b>	<b>0.02</b>	<b>84653</b>	<b>1 693</b>	<b>79 653</b>	<b>954</b>	<b>1 491</b>	<b>83 791</b>
Increase of equity in March	0.02	12 500	250	124 750			125 000
Increase of equity in April	0.02	357	7	887			894
Increase of equity in June	0.02	1 492	30	3 702			3 732
Increase of equity in December	0.02	263	5	1 885			1 890
Costs concerning equity issue transactions				-14 140			-14 140
Tax effect of equity capital transactions				3 959			3 959
Total recognised income and expense						57 057	57 057
Share-based remuneration, net after taxes					3 583		3 583
<b>Equity as of 31.12.2004</b>	<b>0.02</b>	<b>99 265</b>	<b>1 985</b>	<b>200 696</b>	<b>4 537</b>	<b>58 548</b>	<b>265 766</b>
<b>Changes in equity in current year</b>							
Increase of equity in June	0.02	1 509	30	3 740			3 770
Increase of equity in September	0.02	2 053	41	3 809			3 850
Costs concerning equity issue transactions				-79			-79
Tax effect of equity capital transactions				22			22
Increase of equity not registered in 2005					14 270		14 270
Share-based remuneration, net after taxes					2 995		2 995
Total recognised income and expense						1 990	1 990
<b>Equity as of 31.12.2005</b>	<b>0.02</b>	<b>102 827</b>	<b>2 056</b>	<b>208 188</b>	<b>21 802</b>	<b>60 538</b>	<b>292 584</b>

See note 18 Transition to IFRS regarding correction of the opening balance.

### Free equity

The company has a free equity at NOK 66.616K as of 31 December 2005. Further information about shareholders' equity and information are given in the accompanying notes no 10 in the consolidated financial statement.

## Note 12 Accounts receivable, other receivables, accounts payable and other payables

### Book value of receivables due in more than one year

Financial assets and liabilities mainly compromise short term items (not interest bearing). Based on this it is managements assessment that Opera Group does not have financial assets or liabilities with potentially significant differences between net book value and fair value.

## Note 13 Contingent outcome

Information about contingent outcome are given in the accompanying notes no 12 in the consolidated financial statement.

## Note 14 Subsequent event

Subsequent to the balance sheet date, the company is not aware of any issues that will have a significant impact on the financial statements.

## Note 15 Accounting estimates and judgements

Information about accounting estimates and judgements are given in the accompanying notes no 14 in the consolidated financial statement.

## Note 16 Related parties

The company has not been involved in any transactions with related parties beyond transactions with the subsidiaries Hern Labs and Opera Software International AS, and transactions with its directors and executive officers. Please see the accompanying note 3, 9 and 10.

A member of the board, John Patrick, received USD 13 500 for consultancy on behalf of Opera Software ASA. The consulting-agreement was signed July 1, 2005.

### Transactions with key management personnel

Directors of the Company and their immediate relatives control 23 per cent of the voting shares of the Company. The company did not have any loans to directors or key management personnel as of 31 December 2004 and as of 31 December 2005.

Executive officers also participate in the company's share option programme (see note 4)

The key management personnel compensations please see the accompanying note no. 4.

## Note 17 Earnings pr. share

[ Numbers in TNOK ]

	2 005	2 004
Net result	1 990 000	57 057 000
Time average of outstanding shares 1)	100 698 801	95 634 941
Earnings pr. share	0.020	0.597
Equity diluted earnings per share	0.019	0.548

### Basic earnings per share

The calculation of basic earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 December 2005 are calculated as follows:

1)	Calculation of average number of shares		
	Number of shares outstanding as of January 1	99 265 497	84 652 747
	Share issue 06.06.2005 (208 days)	1 508 250	
	Share issue 20.09.2005 (102 days)	2 053 333	
	Share issue 10.03.2004 (296 days)		12 500 000
	Share issue 16.03.2004 (290 days)		357 500
	Share issue 22.06.2004 (192 days)		1 492 750
	Share issue 15.12.2004 (16 days)		262 500
	Average number of shares	100 698 801	95 634 941
	The following equity instruments has diluting effect		
	Options	6 791 500	6 627 250
	Warrants	350 000	6 670 000
	Total	7 141 500	13 297 250

The options and the warrants have various call prices and reflect a cash inflow of NOK 51 249k (2004; 41,704k). According to GAAP regarding earnings per share, the cash inflow is included in the calculations of diluted earnings per shares.

Average market value, which is used in the calculations, is calculated as the average share price in the period 01.01.05-31.12.2005 (2004; 11.03.-31.12.2004). The company was registered on Oslo stock Exchange on 11 March 2004. The average market value is calculated to be NOK 12.93 (2004; 8.52).

Options and warrants	7 141 500	13 297 250
Number of bought shares (NOK 41 704K/8.52)	3 963 592	4 894 835
Number of shares with diluting effect	3 177 908	8 402 415

## Note 18 Explanation of transition to IFRSs

[ Numbers in TNOK ]

As stated in note 1, these are the company's first consolidated financial statements prepared in accordance with IFRSs

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004 (the company's date of transition).

### The effect of the changes in the opening IFRS balance sheet

In preparing its opening IFRS balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous NGAAP). An explanation of how the transition from previous NGAAP to IFRSs has affected the company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

	Previous NGAAP	Effect of transition to IFRSs	IFRSs
<b>Assets</b>			
Goodwill	0	0	0
Tax effect of payroll tax on share based remuneration	1 208	576	1 784
<b>Liabilities</b>			
Payroll tax on share based remuneration	0	2 058	2 058
<b>Equity</b>			
Share-based remuneration, net after taxes	0	3 583	3 583
Effect of transition to IFRSs	0	-5 065	-5 065

There has been no differences between IFRS and NGAAP numbers which has influence on the balance as of 1 January 2004.

## Note 18 Explanation of transition to IFRSs

[ Numbers in TNOK ]

### Notes to the reconciliation of equity

#### Share based remuneration

The company applied IFRS 2 to its active share-based payment arrangements at 1 January 2005 except for equity-settled share-based payment arrangements granted before 7 November 2002.1 The company has granted equity-settled share-based payments in 2004 and 2005.

The company accounted for these share-based payment arrangements at intrinsic value under previous NGAAP. This has been adjusted to fair value to be consistent with IFRS and book the equity-settled share-based payments at fair value. The effect of accounting for equity-settled share-based payment transactions at fair value is to increase the salaries by NOK 3 583K for the year ended 31 December 2004. The adoption of IFRS 2 is equity-neutral for equity-settled transactions. The transactions had no effect on tax on ordinary result, deferred tax asset and taxes payable. The effect of accounting for payroll tax of the equity-settled share-based payment transactions at fair value is to increase the salaries by NOK 2 058k for the year ended 31 December 2004. The tax effect of the transactions has been a reduction of tax on ordinary result and an increase of the deferred tax asset by NOK 576K. The comparable 2004 numbers has been changed due to changes in the accounting principles.

#### Notes to the reconcoiliation of equity

	Share capital	Premium fond	Other reserves	Other equity	Sum
<b>Equity 31.12.2004 NGAAP</b>	<b>1 985</b>	<b>200 696</b>	<b>954</b>	<b>63 613</b>	<b>267 248</b>
Share-based remuneration, net after taxes			3 583	-3 583	0
Correction of opening balance (payroll tax)				-2 058	-2 058
Tax effect of the equity transaction				576	576
<b>Equity 01.01.05 IFRS</b>	<b>1 985</b>	<b>200 696</b>	<b>4 537</b>	<b>58 548</b>	<b>265 766</b>

#### Reconciliation of profit for 2004

	Note	NGAAP	Effect of transition to IFRSs	IFRSs
Revenue		99 325		99 325
Other income		87 689		87 689
		<u>187 014</u>		<u>187 014</u>
Payroll and related expenses		61 100	5 642	66 742
Depreciation expenses		924		924
Other operating expenses		40 811		40 811
<b>Profit/loss from operation</b>		<u>84 179</u>		<u>78 537</u>
Interest income		3 077		3 077
Other financial income		2 213		2 213
Interest expenses		-6		-6
Other financial expenses		-2 610		-2 610
<b>Operating result before tax</b>		<u>86 853</u>		<u>81 211</u>
Tax on ordinary result		-24 730	576	-24 154
<b>Ordinary result</b>		<u>62 123</u>		<u>57 057</u>

#### Explanation of material adjustments to the cash flow statement

The circumstances described above had no effect on the numbers in the cash flow statement, except of the classification between the numbers under operating activities.



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To the Annual Shareholders' Meeting of Opera Software ASA

### AUDITOR'S REPORT FOR 2005

#### Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Opera Software ASA as of 31 December 2005, showing a profit of NOK 1.990.000 for the parent company and a profit of NOK 2.799.000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the financial statements. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

#### Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and of the Group as of 31 December 2005, the results of its operations, its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Oslo, 23 March 2006

KPMG AS

Partner

State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

Offices in:

Oslo	Haugesund	
Bodo	Kristiansand	Sandnessjøen
Alta	Larvik	Stavanger
Arendal	Lillehammer	Stord
Bergen	Mo i Rana	Tromsø
Ekvrum	Molde	Trondheim
Finnsnes	Roros	Tønsberg
Hamar	Sandefjord	Ålesund

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

## Corporate Governance

### General Principles

Opera strongly believes that strong shareholder rights create higher firm value, higher profits, higher sales growth, and contributes to lower capital expenditures. As such, Corporate Governance is not just an empty phrase at Opera, but a real tool used in bridging the gap between management and shareholders, ensuring good corporate ethical behavior.

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, dated 7 December 2004, as required for all listed companies on the Oslo Stock Exchange with effect from 2005. 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, and will update its guidelines and apply the new revised Code of Practice as published on 8 December 2005 from the 2006 financial year.

### Opera's Activities

Opera's vision is to deliver the best Internet experience on any device. This is reflected in Article 3 of the Articles of Association, which reads "The Company's objective is development, production and sale of software and related services, and engagement in other companies or other similar business activities." 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 by conducting our business openly and responsibly. Our corporate policies are developed true to this commitment.

### Equity and dividends

To achieve its aggressive long-term growth targets, it is Opera's policy to maintain a high equity ratio. In view of the Company's planned expansion and growth of its business, the Company does not expect to pay dividend over the next years. However, the company has a business model that allows for strong cash flow generation in the future. Consequently, Opera's needs for growth can be met while also maintaining a dividend distribution as long as the company is reaching targeted growth levels. Dividend payments will be subject to approval by the shareholders at the Company's annual General Meetings.

Mandates granted to the board of directors to increase the Company's share capital are restricted to defined purposes and are limited in time to no later than the date of the next Annual General Meeting. On the General Meeting 15 June 2005, the Board of Directors was granted a mandate to increase the share capital by up to NOK 198,530 through the issue of up to 9,926,500 shares of nominal value NOK 0.02 with the authority to waive the pre-emption rights of existing shareholders and to determine the consideration for shares issued in terms other than cash. Where consideration does take the form of cash payment, the issue price is expected to be close to the then current market price. The shares can be used in connection with acquisitions and incentive schemes for employees and board members. This mandate is valid until the date of the next Annual General Meeting, but in no event longer than 30th June 2006. The Board of Directors have used the authority during 2005 and expanded the share capital by NOK 16K (determined but not registered increase of equity). The rest of the authority not used by 31 December 2005 is NOK 182K.

On the General Meeting 15 June 2005, the Board of Directors was granted a mandate to acquire the company's own shares with a maximum aggregated par value of up to NOK 198,530.-, which equals 10% of the share capital and with a maximum aggregated purchase price of MNOK 62.1 which equals the retained earnings in the company. The price per share shall be minimum NOK 0.02 and maximum NOK 20. The shares can be used in connection with acquisitions and incentive schemes for employees and board members. This authority is to be valid until the date of the next Annual General Meeting, but in no event longer than 30th June 2006. The Board of Directors did not make use of this mandate in 2005.

### 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. All shares in the company carry equal voting rights and are freely transferable. The shareholders exercise the highest authority in the company through the General Meeting. All shareholders are entitled to submit items to the agenda, meet, speak, and vote at the General Meeting.

As mentioned above, on the General Meeting 15 June 2005, the Board of Directors was granted a mandate to increase the share capital, hereunder the authority to waive the pre-emption rights of existing shareholders and to determine the consideration for shares issued in terms other than cash. The main reason is for the pre-emption of rights is that that the Company periodically could be confronted with situations where the Company can grow further by making use of rights issues to one or several strategic partners as well as through mergers and acquisitions with shares or cash if the Company quickly can get in position to effectuate the necessary liquidity and/or shares. In addition, situations could occur where the Company's equity needs strengthening in order to ensure future conditions of operations.

Any transactions the Company carries out in its own shares take place in accordance with established practice and guidelines from the Oslo Stock Exchange.

The Company has an established and closely monitored insider trading policy.

### 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 Norwegian Code of Practice for Corporate Governance. All shareholders are entitled to submit items to the agenda, 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 14 days prior to the date of the meeting. Proposed resolutions and supporting information is distributed to the shareholders no later than the date of the notice. Final deadline for shareholders to give notice of their intention to attend the meeting is at least one working day prior to the meeting. Shareholders who are unable to attend the meeting may vote by proxy. The Chairman, Vice-Chairman, Chairman of the Nomination Committee, CEO, CFO and the auditor are all required to be present at the meeting in person. The Chairman for the meeting is generally independent. Notice, enclosure and protocol of meetings are available on Opera's web site.

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 or the Company's articles of Association are to be transacted at the General Meeting.

### Nomination committee

The Nomination Committee consists of three members, all of whom are elected by the general meeting, and is a body established pursuant to the Articles of Association. Members of the Nomination Committee serve for two year periods. The task of the Nomination Committee is to propose candidates for election as shareholder-elected members of the Board of Directors and to make recommendations regarding the remuneration of the members of the Board of Directors. Remuneration of the members of the Nomination Committee will be determined by the General Meeting.

At the Annual General Meeting held on June 15, 2005, the following persons were elected as members of the Nomination Committee of the company: Ole Peter Lorentzen, Geir Ivarsøy, Nils Foldal, of which none are from the Board of Directors or the executive management. A list of board nominees is given to shareholders with at least two weeks notice of voting. Please see Opera's web site for further information regarding the Nomination committee.

### Composition and independence of the Board of Directors

The Board of Directors has the 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 5-9 members, two of whom are employee representatives and the rest of whom are elected by the General Meeting. The Board of Directors currently consists of eight members, six (incl. Chairman and Vice-Chairman) elected by the shareholders at the Annual General Meeting and two elected by the employees. 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, and 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 collegiate body. Please see Opera's web site for a detailed description of the board members, including share ownership. Opera does not have a Corporate Assembly. At least half of the members of 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 shareholder(s). The term of office for members of the Board of Directors is two years.

### The work of the Board of Directors

The conduct of the board of directors is following 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. The Board of Directors meets eight times a year, once for a two-day meeting, but holds 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 is a continuous center of attention for the board ensuring executive management maintains systems, procedures and a corporate culture that promote compliance with legal and regulatory requirements and the ethical conduct of the business. One two-day meeting is dedicated to strategy. The Board of Directors annually evaluates its work, performance and expertise, and the report is made available for the Nomination Committee.

A Vice-Chairman was elected for the purpose of chairing the Board of Directors in the event that the Chairman cannot or should not lead the work of the Board of Directors.

### Remuneration of the Board of Directors

Remuneration for board members is a fixed annual sum proposed by the nomination committee and approved at the Annual General Meeting. All remuneration to the board of directors is disclosed in Note 4 in the Annual Report.

A large number of the Company's shareholders are international with a different view to some of the Norwegian recommendations. Hence, some of Opera's Board Members carry stock options in the Company, as disclosed in Note 4 in the Annual Report. This practice will be further limited in the future, but will not be excluded as a tool to enhance interest from particularly international experts and senior executives to join the Board. The Chairman of the Board carries no stock options and is committed to this practice.

#### **Remuneration of the Executive Management**

Details concerning remuneration of the executive management, including all details regarding the CEO's remuneration, are given in the Annual Report, Note 4. 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.

#### **Information and communications**

Communication with shareholders, investors and analysts, both in Norway and abroad, is a priority for Opera. The Company's objective is to ensure that financial markets have sufficient information about the company to be certain that pricing reflects underlying values. During the announcement of quarterly and annual financial results, there is opportunity for management to answer questions from the Company's shareholders. Opera also arranges regular presentations in Europe and the USA, 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 Opera's web site.

#### **Take-overs**

The Board of Directors endorses the recommendation of the Norwegian Code of Practice for Corporate Governance. Opera has no active anti-takeover devices or "poison-pills". The Board of Directors will not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this.

#### **Auditor**

The auditor participates in meetings of the Board of Directors that deal with the annual accounts, and upon special request. Every year, the auditor presents to the board a report outlining the audit activities in the previous fiscal year and highlights the areas that caused the most attention or discussions with management, as well as a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. The auditor will make himself available upon request for meetings with the board at which no member of the executive management is present, as will the board upon auditor's request. The General Meeting is informed about the company's use and remuneration of the auditor, and details are given in Note 4 in the Annual Report.



Opera, ae, f.(lat):  
work, labor,  
task, attention,  
care, service.