

Q2 - 2005

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FINANCIAL STATEMENT – SECOND QUARTER 2005

PROFIT AND LOSS ACCOUNT <i>(Figures in TNOK)</i>	Second Quarter		Accumulated		Full year
	2004	2005	2004	2005	2004
Revenues, PC/Desktop	7 208	6 970	14 236	13 361	33 439
Revenues, Internet Devices	15 986	33 447	30 687	55 022	65 886
Other income	87 565	0	87 565	0	87 689
Total Operating Revenues	110 759	40 417	132 488	68 383	187 014
Payroll and related expenses	15 666	22 939	32 594	47 092	75 441
Depreciation and amortization	304	420	590	786	1 185
Other operating expenses	5 309	9 250	13 589	18 280	29 098
Total operating expenses	21 279	32 609	46 773	66 158	105 724
Earnings Before Interest and Tax ("EBIT")	89 480	7 808	85 715	2 224	81 291
Net financial items	-225	492	916	1 377	2 653
Earnings Before Tax ("EBT")	89 255	8 300	86 631	3 601	83 944
Taxes	-25 577	-2 323	-25 160	-1 008	-24 930
Earnings After Tax ("EAT")	63 678	5 977	61 471	2 593	59 014
Earnings per share	0.63	0.06	0.62	0.03	0.62
Earnings per share fully diluted	0.61	0.05	0.59	0.02	0.56

BALANCE SHEET <i>(Figures in TNOK)</i>	30 June		31 Dec
	2004	2005	2004
Assets			
Deferred taxes	533	5 303	1 055
Goodwill	3 143	3 143	3 143
Tangible assets	1 960	3 240	2 338
Other current assets	36 494	56 038	33 404
Cash and cash equivalents	234 996	225 783	241 275
Total assets	277 126	293 507	281 215
Liabilities & equity			
Paid in capital	199 095	204 617	200 846
Retained earnings	63 582	67 381	63 058
Short-term liabilities	14 449	21 509	17 311
Total liabilities & equity	227 126	293 507	281 215

CASH FLOW STATEMENT <i>(Figures in TNOK)</i>	Second Quarter		Accumulated		Full year
	2004	2005	2004	2005	2004
Cash flow from operating activities	99 142	2 290	91 989	-17 506	97 552
Cash flow from investment activities	-348	-843	-1 068	-1 755	-2 041
Cash flow from financing activities	-9 665	3 770	115 687	3 770	117 376
Change in cash and cash equivalents	89 129	5 218	206 608	-15 491	212 887
Cash and cash equivalent, beginning of period	145 867	220 565	28 388	241 275	28 388
Cash and cash equivalent, end of period	234 996	225 783	234 996	225 783	241 275

EQUITY <i>(Figures in TNOK)</i>	Accumulated per 30 June		Full year
	2004	2005	2004
Opening balance	79 977	263 904	79 977
Net profit/loss	62 334	5 977	59 014
Equity issues	119 590	5 646	124 918
Other	-10	-145	-5
Closing balance	261 891	275 382	263 904

INTERIM RESULTS <i>(Figures in TNOK)</i>	Q1	Q2	Q3	Q4	Q1	Q2
	2004	2004	2004	2004	2005	2005
Total operating revenues	21 729	110 759	24 567	29 959	27 965	40 417
EBIT	-3 765	89 480	-3 013	-1 412	-5 584	7 808
Sales growth quarter by quarter (%)	-24.6%	409.7%	-77.8%	21.0%	-6.7%	44.5%
Pre-tax earnings per share (NOK)	-0.02	0.65	-0.02	0.00	-0.03	0.06
Pre-tax earnings per share (NOK) fully diluted	-0.02	0.57	-0.02	0.00	-0.03	0.05

Note: The second quarter 2005 financial figures have been prepared based upon the management's interpretation of the current International Financial Reporting Standards (IFRS). The financial figures have been restated accordingly. Due to possible changes in existing standards, new understanding and interpretation of existing standards and potential new standards, the figures may change later during 2005. Neither the 2005 nor the 2004 restated figures have been audited and must therefore be treated as preliminary figures.

OPERA SOFTWARE ASA - SECOND QUARTER 2005

Highlights

- Ordinary revenue of MNOK 40.4 in Q2 2005, up from MNOK 23.2 in 2Q 2004, a growth of 74%
- Ordinary earnings before interest and tax ("EBIT") of MNOK 7.8 in 2Q05 compared to MNOK 2.4 in 2Q04
- The number of units sold that included the Opera browser, was 6.7 million in 1H05 compared to 3.2 million units in 1H04¹
- Opera signed an amendment to the existing development and licensing agreement with Motorola Inc. This is an important milestone for Opera Software
- Opera signed an agreement with a global player in the home media market. The agreement is on software licensing, and Opera Software receives a royalty fee per unit sold. Products are scheduled to be launched early 2006. Opera Software will receive an initial payment in 2005 of 850.000 Euros
- Opera announced that the browser was included on nine mobile phone models, manufactured by Nokia, Casio, Toshiba, Hitachi, and Motorola

Financials

Ordinary revenue in the second quarter of 2005 ("2Q05") was MNOK 40.4, up from MNOK 23.2 in 2Q04. The turnover increased by 74% on a year-to-year basis.

Income from Internet devices was MNOK 33.4 in 2Q05, up from MNOK 16.0 in 2Q04¹. Income from desktop products was MNOK 7.0, down from MNOK 7.2 last year.

Operating expenses increased from MNOK 21.3 in 2Q04 to MNOK 32.6 in 2Q05, an increase of 53%.

Ordinary EBIT in 2Q05 was MNOK 7.8, compared to MNOK 2.4 in 2Q04.

Cash and cash equivalents were MNOK 225.8 at the end of 2Q05.

With effect from 1 January 2005, Opera has applied IFRS in the consolidated accounts. The impact of the change of accounting standards along with comparative information regarding Opera's financial reporting in 2004 in accordance with IFRS, were presented in the "Transition to IFRS" document released on April 27, 2005. Accordingly, 2004 financial information included in this document is different from previous reports.

Internet Devices

The income from Internet devices grew from MNOK 16.0 in 2Q04 to MNOK 33.4 in 2Q05, a growth of 109%¹.

Mobile phones

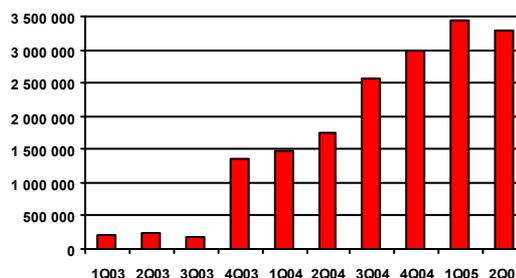
The number of phones with the Opera browser sold to end users was 3.4 million in 1Q05, compared to 1.5 million units in 1Q04, and 3.3 million in 2Q05, compared to 1.7 million units in 2Q04. During the first half of 2005, Opera was included on 6.7 million mobile phones compared to 3.2 million units during the same period last year.

The number of units sold decreased from Q105 to Q205. This is a result of few new models announced in Q404 and Q105. Having announced nine new handsets since the last quarterly report, the company believes that the number of units sold will continue to increase in 2H05.

¹ 2Q05 includes royalty income for both Q1 and Q2 2005. Starting in 2Q05, Opera will treat royalty income in the quarter it incurred, and not with a quarterly delay, as earlier practiced. The change has been made possible by the company's customers who are now reporting unit sales earlier than previously practiced.

In May, Opera announced that three new BREW-based mobile phones with the Opera browser were introduced by KDDI to the Japanese market. The three phones are the Casio W21CAII, Casio W31CA, and Toshiba W31T – all advanced 3G handsets with full Internet and e-mail capabilities and a wide range of advanced features. One additional KDDI handset, the Hitachi W32H was announced in August.

Number of phones sold with the Opera browser



In July, Opera Software announced that the Opera browser was included on three new Nokia handsets, 6680, 6681, and 6682. All three handsets enable the full benefit of high-speed 3G networks to be enjoyed with a wide range of multimedia services, including video, e-mail, music downloads, and Internet browsing. The Nokia 6680 was recently listed as the 'Best in Class' 3G device according to a report by Strategy Analytics.



Nokia 6680



Toshiba W31T

Opera announced in June that T-Mobile has chosen Opera as the browser to fulfill parts of their "Internet in your pocket" offering. The "Internet in your pocket" offering 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 dramatically increase the phones' usability and average revenue per user (ARPU). The first phone with the Opera browser to become available through the new "Internet in your pocket" offering was the Nokia 6680.

In July, Opera signed an amendment to the existing development and licensing agreement with Motorola Inc. The agreement has a duration of three years, and allows Motorola to include Opera's mobile phone browser on all their handsets across all major operating systems supported by Motorola (including Linux, Windows Mobile, Symbian, BREW, and Motorola's own P2K). Opera will receive a royalty payment per mobile phone sold. The Motorola contract is of high strategic importance to Opera as it will significantly increase the company's market share in the mobile browser market. It also confirms Opera's technology leadership and strategic position in a fast growing industry.

In August, Opera introduced Opera Mini™, a J2ME (Java 2 Mobile Edition) Web browser for a majority of all mobile phones. The first company to take advantage of Opera Mini™ is Norway's leading commercial television station, TV2. It has bundled Opera Mini™ with its mobile services in Norway to offer its viewers a complete mobile content package that includes a branded and advanced Web browser. Opera Mini is available from TV2 for free, and Opera gets paid through revenue sharing of the income generated through advertising and usage of paid content.

Home Media

In May, Opera announced that the Opera browser is included on the Nokia 770 Internet Tablet. The device, which was presented by Nokia at the LinuxWorld Summit in New York, is a dedicated device optimized for convenient Internet browsing and e-mail communications.



Nokia 770

In June, Opera signed an agreement with a global player in the home media market. According to the agreement, Opera will make its Web browser available for the customer's proprietary operating system. The agreement is on software licensing, and Opera Software receives a royalty fee per unit sold. Products are scheduled to be launched early 2006. Opera Software will receive an initial payment in 2005 of 850.000 Euros.

PC/Desktop

Income from desktop products was MNOK 7.0, down from MNOK 7.2 last year, a decrease of 3%.

Desktop income comes from several sources. Search-related income continued to grow in 2Q05, and is expected to continue to do so. Desktop license income, however, was lower than expected despite the positive reaction to the launch of Opera 8.0.

Opera 8, which was launched in April, received great reviews from journalist all over the world. The browser has been downloaded more than 12 million times, and is believed to have strengthened the company's foothold in the desktop browser market.

Continued innovation

In August, Opera introduced Opera Mini™, a J2ME (Java 2 Mobile Edition) Web browser. Opera Mini™ 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 WAP-enabled phones. Instead of requiring the phone to process Web pages, it uses a remote server to pre-process the page before sending it to the phone.

Organization

As of June 30, the company had 233 employees, compared to 195 employees by the end of December 2004 and 158 employees by the end of 2Q04.

Outlook

Opera expects the revenue growth rate to increase as a result of accelerated deployment of mobile phones and 3G. Opera's competitive position in this market is stronger than it was at the same time last year.

Operating cost is expected to grow at a similar pace as in 2004, as a consequence of customer-driven organizational

growth. Consequently, the company expects 2005 to become the first year of solid earnings and earnings growth.

Mobile Phones

Higher-functionality devices are showing material growth, and account for an increasingly higher portion of the market. The Web browser is proving to be a vital application on mobile phones to facilitate the increased functionality that is needed.

More than 6.7 million mobile phones that included the Opera browser were sold in 1H05 compared to 3.2 million units in 1H04. Opera has by now announced 12 models in 2005, and the number of mobile phones sold in 2005 that include the Opera browser is expected to increase significantly compared to 2004. The Opera browser was included on 13 different models in 2004, and the company's goal for 2005 is to at least double the number again to be included on a minimum of 26 different models.

The growth trend is expected to continue in 2006 and onwards. Opera believes that at least 70-80% of all mobile phones will have a Web browser installed when the market eventually matures. The company believes it is well positioned to take a leading role in the market for browsers on mobile phones.

Home media

Opera sees a higher level of activity within the home media sector.

Consumer electronics manufacturers are vying for control of the consumer entertainment experience with new products and services. A large portion of new home media devices is expected to be Internet connected. In Q2, Opera signed a contract with a global player within the home media industry. The product, which is anticipated to be launched in the beginning of 2006, is expected to be a high volume product. Opera expects more mass market products to be launched in 2006. Hence, the home media market will become an increasingly important business area for Opera.

PC/Desktop

The focus on security and alternative browsers has, together with the launch of Opera 8, increased the number of users. The positive trend in number of active users has not resulted in an increase in the sale of desktop licenses as expected. Opera is working on alternative business models in order to increase the market share and secure continued revenue growth within the desktop area. Although the company has a positive long term view on opportunities within the desktop segment, the income expectations for 2005 are cautious.

Oslo, August 19, 2005

The Board of Directors
Opera Software ASA

Christian H. Thommessen
Chairman
(sign.)