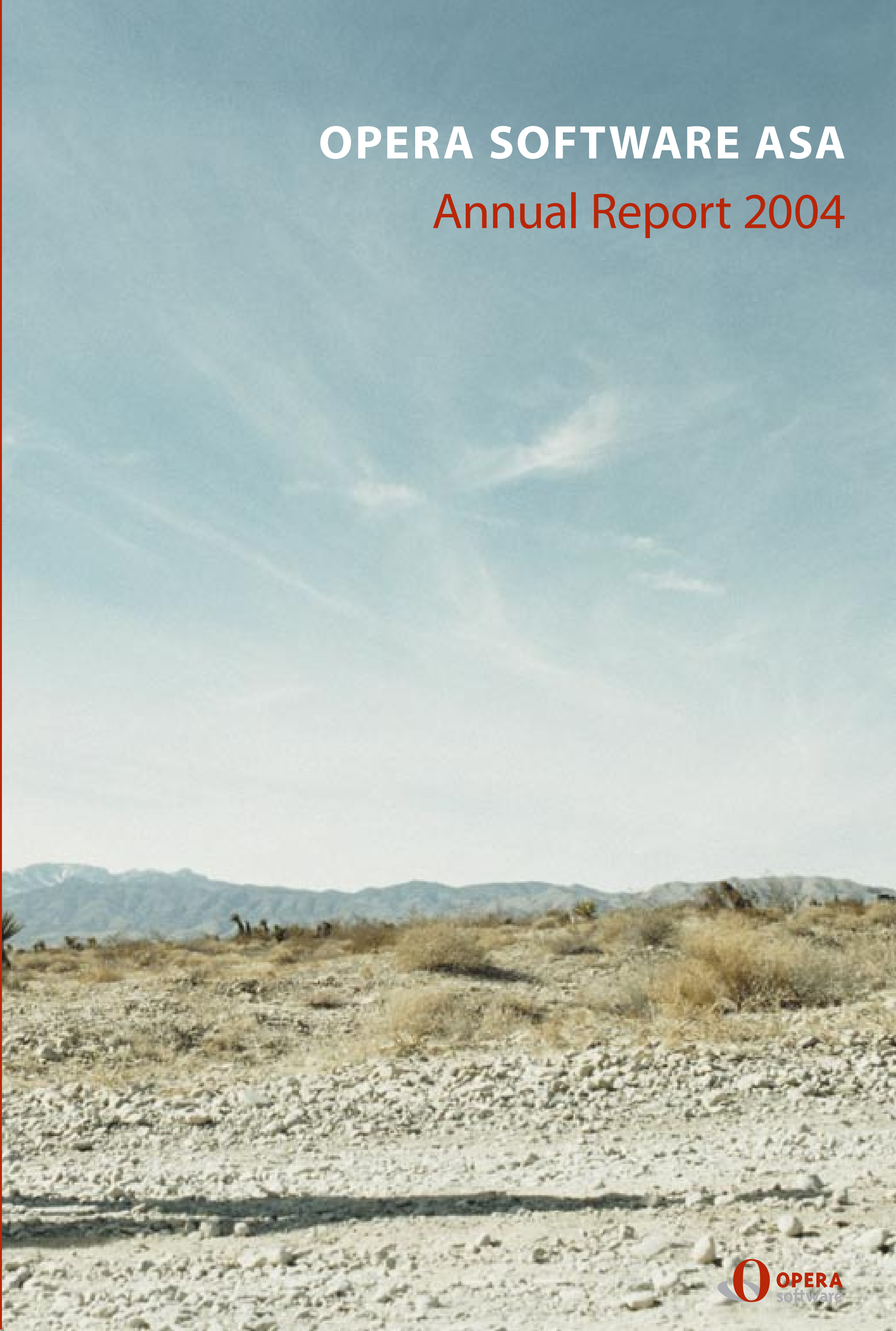
OPERA SOFTWARE ASA

Annual Report 2004



OPERA software

The annual account report for Opera Software ASA contains the following:

- **STATEMENT OF OPERATIONS**
- **BALANCE SHEET**
- **CONSOLIDATED FINANCIAL STATEMENT**
- **STATEMENT OF CASH FLOW**
- **NOTES**
- **AUDITOR'S REPORT**
- **IFRS NOTE**

The 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. The preparation of financial statements in conformity with accounting principles generally accepted in Norway requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

DIRECTOR'S REPORT

2004 was a year of investment in organizational capabilities as well as market development and positioning for Opera Software. The organisation grew by 67 highly skilled professionals to 195 employees by the year end. Opera made a major contribution to developing the market by convincing most major mobile handset manufacturers and several major telecom operators of the value proposition of a full fledged web browser. More than 5.8 million people bought a mobile phone that included the Opera browser during the first three quarters of 2004, compared to two million units for the full year 2003. The browser was included on 13 different handset models, compared to six models in 2003. However, while mobile browsing is now generally accepted and browsers are rapidly increasing deployment to a large number of new handsets, the aggregated shipped volumes during the full year 2004 remained low relative to the market potentials and the investments made in the market. Consequently, Opera's ordinary revenue grew less than satisfactory from MNOK 78.5 in 2003 to MNOK 99.3 in 2004. The ordinary result of the company reflects this. In addition, Opera had non-recurring income of MNOK 87.7 which was related to a settlement of legal claims with an international corporation.

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 home media 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

In 2004, Opera's PC/Desktop version was downloaded 17.3 million times. The general media attention on security and browsing increased awareness about the importance of alternative browsers in the market. The company believes that this trend will continue, and that it will have a positive effect on the number of Opera PC/Desktop downloads, while active users will continue to increase.

More than 5.8 million people bought a mobile phone that included the Opera browser during the first three quarters of 2004, compared to two million units for the full year 2003. The browser was included on 13 different models, compared to six models the year before. These were handsets produced by leading phone manufacturers including Nokia, Motorola, and Sony Ericsson.

The mobile phone market showed material growth in 2004, and high-end phones with enhanced functionality accounted for an increasingly higher proportion of the total sale of mobile phones. Opera believes that most new phones will be able to run a full Internet browser, and Internet access will be a vital application to serve end users increased functionality at a low cost, thereby driving the demand for Opera's browser technologies in the near future. Additionally, as the cost of building a mobile phone decreases, producers will be looking to develop better functionality and services that can utilize faster network speeds and generate revenue. Opera believes that during the next years, most new phones will be able to run a full Internet browser, and Internet access will be a vital application to facilitate the need for increased functionality. The company is well positioned for increased growth based on its leading position in the mobile internet market.

In 2004, Opera expanded its group of customers to also include mobile phone operators. During the year, the company worked with several leading operators such as Vodafone, KDDI, and France Telecom/Orange. Considering the relatively low cost of a browser compared to the revenue opportunity it represents, Opera expects operators to request a full Web browser to be preinstalled on most handsets.

The Opera Platform will further enhance Opera's product offering to the operators. The platform is a powerful and flexible technology for creating a dynamic user experience based on open standard Web technologies enabling integration of off-line and on-line use of the phone. End users can access frequent tasks with less navigation, while operators benefit from branded and dynamically updated content and services. Vodafone is the first operator to utilize the Opera Platform product offering in Vodafone's live!cast, an advancement of Vodafone live!. Vodafone enriches the mobile phone experience by allowing subscribers to receive live news feeds to the idle screen of their handsets. Opera believes that most operators will follow suit and drive the future demand for mobile Internet access.

The general product innovation in the home media market is accelerating due to the switch from analogue to digital transmission. Opera expects a substantial increase in the number of devices with electronic storage, including set-top boxes and networked DVD recorders. Downloading of music and video is foreseen to drive this demand. Downloading onto hard drives will require a browser, and Opera believes that its proven browser technology will enable simpler and cheaper hardware to deliver enhanced applications.

CONTINUED INNOVATION

Opera's emphasis on innovation continued to yield visible results in 2004. The company's cross-platform technologies, such as the new Extensible Rendering Architecture (ERA), dynamically adapt rich Internet content to shifting environments and enhance the end-user experience.

Significant research efforts have also gone into the development of high-speed mobile services. Opera products allow operators to launch income generating content services that add to the benefits of browsing the full Internet with Opera.

Technologies developed this year include the mobile Interactive Program Guide, the Opera Mobile Accelerator, Medium-Screen Rendering, and TV Rendering. With the help of Opera's innovative architecture the company can quickly and easily take products to new platforms and markets.

FINANCIAL YEAR 2004

The ordinary revenue increased from MNOK 78.5 in 2003 to MNOK 99.3 in 2004. In addition, Opera had non-recurring income of MNOK 87.7 in 2004, which was related to a settlement of legal claims with an international corporation. The other party is not a customer of Opera and the settlement does not negatively impact future revenues. Earnings before interest and tax (EBIT) were MNOK 83.1 compared to MNOK 1.3 in 2003.

The revenue from Internet devices increased by 19.9%, from MNOK 54.9 in 2003 to MNOK 65.8 in 2004. Sales agreements are structured to give Opera a development fee as well as a royalty income per unit sold. The increase in revenue on Internet devices in 2004 was driven by royalty income from mobile phones sold that included the Opera browser. The company expects an increase in the number of products launched in 2005. The company also projects a substantial increase in royalty income in 2005 and 2006, in line with expected mass-market deployment of mobile Web solutions and digital television.

The revenue from the PC/Desktop product line increased from MNOK 23.6 in 2003 to MNOK 33.4 in 2004, a growth of 41.5%. The growth is mainly due to an increase in advertising revenue and revenue generated from searches. The board expects further growth in revenue from PC/Desktop in 2005.

Opera's balance as of December 31, 2004, was MNOK 279.6 of which MNOK 241.3 was cash and cash equivalents.

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

SHAREHOLDERS AND EQUITY RELATED ISSUES

Opera successfully completed an issue of shares in connection with the company's listing on the Oslo Stock Exchange on March 11, 2004. The company sought to place up to 27,944,900 new and existing shares in the IPO, indicating a price range of NOK 8 to NOK 10 per share. As approximately 560 million shares were subscribed for in this price range, an oversubscription of more than 20 times, the price per share was set at NOK 10. Around 83 percent of the subscriptions came from international investors, and 96 percent of the subscribers were institutional investors. The company raised MNOK 125 in the IPO, issuing 12,500,000 new shares. 11,844,900 existing shares were sold for a total of MNOK 118.45 in connection with the IPO.

During 2004, employees exercised 2,112,750 stock options in the company at a strike price of NOK 2.50 and 7.20.

Opera Software had 99,265,497 shares outstanding and 1,352 shareholders as of December 31, 2004. The company had 107 foreign shareholders who owned 25.77% of the issued shares.

As of December 31, the company had MNOK 201 in paid in capital. Free equity was MNOK 63.3.

Following a six-month corporate governance discussion among the largest shareholders, with the objective of strengthening the industrial expertise and the independence of the Board of Directors, Jon S. von Tetzchner and Geir Ivarsøy, the two founders of the company, chose to resign from the Board at an extraordinary General Meeting held on January 30, 2004. John Patrick, former vice president of IBM Internet Technology, was elected as a new board member at the same meeting. Nils Rydbeck, former CTO and senior vice president R&D of Ericsson Mobile Phones, was elected as a new board member at the ordinary General Meeting in June.

ALLOCATION OF THE ANNUAL PROFIT

The profit for Opera Software ASA was in 2004 MNOK 62.1. 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 large 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 very limited extent influenced by currency changes. This decision is reconsidered on a yearly basis.

ORGANIZATION

Opera Software's headquarters are located in Oslo, Norway. There are also offices in Linkoping and Gothenburg, Sweden. The company had 195 employees as of December 31, 2004, and foresees further organizational growth in 2005. Growth will be driven by customer demand. New employees will mainly be working within the development, quality assurance, and documentation departments.

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 1.82%. The company's activities are not polluting the environment.

GENDER EQUALITY

As of December 31, 2004, Opera had 195 employees, of which 33 were women and 162 were men. As part of its core values, Opera promotes cultural diversity, gender equality, and is an equal opportunity employer. Opera has one female board member.

CORPORATE GOVERNANCE

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. A cornerstone in Opera Software's corporate governance is the equal treatment of shareholders. All shares in the company carry equal voting rights and are freely transferable. The shareholders exercise the highest authority in the company through the Annual Shareholders Meeting. All shareholders are entitled to submit items to the agenda and to vote at the Annual Shareholders Meeting.

During 2004, the company took significant steps in the direction of compliance with the Norwegian Code of Practice for Corporate Governance, a process that will continue though 2005.

The founders left the Board of Director's in exchange for two international and independent Directors.

At the Annual Shareholders Meeting in 2004, a nomination committee was appointed for the first time with two out of three members independent of the Board. For the 2005 Annual Meeting a proposal for a fully independent nomination committee will be put forward.

The Norwegian Code of Practice is new, and the company as late as 12-18 months ago was operating in a very different working environment. A large number of our 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. 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 practise.

Oslo, February 15, 2005

Christian Thommessen
Chairman

Michael Tetzschner

Live Leer
Employee representative

Håkon Wium Lie

Tore Mengshoel

Snorre M. Grimsby
Employee representative

John Patrick

Lars Thoresen

Jon S. Von Tetzchner
Chief Executive Officer

Nils Rydbeck

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.

JOHN 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.

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.

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.

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.

TORE MENGSHOEL, (BORN 1967)
Mengshoel is a partner with Teknoinvest Management which manage approx. EUR 130 million in funds and invests in start-up and intermediary stage companies in the ITC, and Life Sciences sectors. He holds a master's degree in Computer Engineering from the Norwegian Institute of Technology and a MBA from INSEAD in France.

LARS BJØRN THORESEN, (BORN 1969)
Thoresen is Partner in Four Seasons Venture which manage approx. EUR 170 million, focusing on high growth companies within the IT and Communication sectors. He holds a MBA from INSEAD in France, and a BSc degree in Finance from St. John's University, New York, USA.

SNORRE M. GRIMSBY, EMPLOYEE REPRESENTATIVE, (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.

LIVE LEER, EMPLOYEE REPRESENTATIVE, (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.

Profit and Loss Account

[Numbers in TNOK]

Parent company 2004	2003	2002		Note	Group 2004	2003	2002
99 325	78 531	51 075	Revenue	1,2,9	**99 325**	78 531	51 060
87 689	0	0	Other income	15	**87 689**	0	0
187 014	78 531	51 075	**Total operating income**		**187 014**	78 531	51 060
61 100	42 937	40 881	Payroll and related expenses	3	**71 858**	51 315	47 016
924	1 020	1 441	Depreciation expenses	4	**2 756**	2 724	3 118
40 811	32 501	28 851	Other operating expenses	10	**29 098**	23 227	22 307
84 179	2 073	-20 098	**Profit/loss from operation**		**83 302**	1 265	-21 380
3 077	882	697	Interest income	9	**3 100**	905	707
2 213	780	793	Other financial income	9	**2 259**	784	818
-6	-3	-3	Interest expenses	9	**-6**	-7	-5
-2 610	-994	-2 373	Other financial expenses	9	**-2 700**	-1 142	-2 377
86 853	2 738	-20 984	**Operating result before tax**		**85 955**	1 805	-22 237
-24 730	-1 247	6 131	Tax on ordinary result	6	**-24 930**	-1 429	6 035
62 123	1 491	-14 853	**Ordinary result**		**61 025**	376	-16 202
62 123	1 491	-14 853	**Net profit/loss for the year**		**61 025**	376	-16 202
			Earnings per share (NOK)	13	**0.638**	0.005	-0.263
			Diluted earnings per share (NOK)	13	**0.587**	0.005	-0.263
			Profit/ loss for the year is allocated as follows:				
0	0	-14 853	Share premium reserve				
62 123	1 491	0	Other equity				
62 123	1 491	-14 853					

Balance Sheet

[Numbers in TNOK]

Parent company 31.12.2004	31.12.2003		Note	Group 31.12.2004	31.12.2003
		Assets			
		Fixed asset			
		Intangible fixed assets			
1 208	21 441	Deferred tax asset	6	**1 055**	21 348
0	0	Goodwill	4	**1 571**	3 143
1 208	21 441	**Total intangible fixed assets**		**2 626**	24 491
		Tangible fixed assets			
1 527	1 168	Office machinery, equipment etc.	4	**2 338**	1 483
1 527	1 168	**Total tangible fixed assets**		**2 338**	1 483
		Financial fixed assets			
7 965	7 965	Investments in subsidiaries	8	**0**	0
7 965	7 965	**Total financial fixed assets**		**0**	0
10 700	30 574	**Total fixed assets**		**4 964**	25 974
		Current assets			
		Receivables			
18 648	14 226	Accounts receivable	11	**18 648**	14 226
10 979	19 941	Unbilled revenue		**10 979**	19 941
2 641	3 047	Other receivables	11	**3 777**	3 245
32 268	37 214	**Total receivables**		**33 404**	37 412
239 177	26 550	Cash and cash equivalents	5	**241 275**	28 388
271 445	63 764	**Total current assets**		**274 679**	65 800
282 145	94 338	**Total assets**		**279 643**	91 774

Balance Sheet

[Numbers in TNOK]

Parent company 31.12.2004	31.12.2003		Note	Group 31.12.2004	31.12.2003
		Shareholders' equity and liabilities			
		Equity			
		Called up capital			
1 985	1 693	Share capital	7	**1 985**	1 693
200 696	79 653	Share premium reserve/group founds	7	**0**	0
954	954	Other reserves	7	**0**	0
203 635	82 300	**Total called up capital**		**1 985**	1 693
		Retained earnings			
63 614	1 491	Other equity / group founds	7	**260 347**	78 284
63 614	1 491	Total retained earnings		**260 347**	78 284
267 249	83 791	**Total equity**		**262 332**	79 977
		Liabilities			
		Current liabilities			
2 702	2 580	Accounts payable	11	**2 794**	1 971
0	0	Taxes payable		**57**	67
5 137	4 107	Social security, VAT and other taxation payable		**6 228**	4 357
7 057	3 860	Other short-term liabilities		**8 232**	5 402
14 896	10 547	**Total short-term liabilities**		**17 311**	11 797
14 896	10 547	**Total liabilities**		**17 311**	11 797
282 145	94 338	**Total equity and liabilities**		**279 643**	91 774

Oslo, February 15, 2005

Christian Thommessen
Chairman

Michael Tetzschner

Live Leer
Employee representative

Håkon Wium Lie

Tore Mengshoel

Snorre M. Grimsby
Employee representative

John Patrick

Lars Thoresen

Jon S. Von Tetzchner
Chief Executive Officer

Nils Rydbeck

Cash flow statement

[Numbers in NOK 1000]

Parent Company 2004	2003		Group 2004	2003
		Cash flow from operating activities		
86 853	2 738	Profit/ loss before taxes	**85 955**	1 805
-537	-352	Taxes paid	**-678**	-417
924	1 020	Depreciation expenses	**2 756**	2 724
4 540	-26 216	Changes in accounts receivable *)	**4 540**	-25 415
122	195	Changes in accounts payable	**823**	-446
4 633	91	Changes in other accruals	**4 156**	812
96 535	-22 524	**Net cash flow from operating activities**	**97 552**	-20 937
		Cash flow from investment activities		
-1 284	-444	Acquisition of tangible fixed assets	**-2 041**	-594
-1 284	-444	**Net cash flow from investment activities**	**-2 041**	-594
		Cash flow from financing activities	**0**	
117 376	39 482	Payments of equity	**117 376**	39 482
0	1 421	Proceeds from sales of own shares	**0**	1 421
117 376	40 903	**Net cash flow from financing activities**	**117 376**	40 903
212 627	17 935	**Net change in cash and cash equivalents**	**212 887**	19 372
26 550	8 615	Cash and cash equivalents 01.01 **)	**28 388**	9 016
239 177	26 550	**Cash and cash equivalents 31.12**	**241 275**	28 388

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

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

Note 1 Accounting principles – Consequences of changes in accounting principles

BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION – OTHER ISSUES

The financial and the consolidated financial statement, which has been presented in compliance with the Norwegian Accounting Act, the Companies Act, and accounting principles generally accepted in Norway as of December 31, 2004, consists of balance sheet and the related statements of operations and cash flow, consolidated financial statement, and notes to the account. These notes are an integrated part of the financial statement.

The financial and the consolidated financial statement, has been prepared based on the principles governing historical cost accounting, comparability, continued operations, congruence and prudence. Transactions are recorded at their value at the time of the transaction. Revenue is recognized at the time they are earned. Costs are expensed in the same period as the revenue to which they relate is recognized. The different accounting principles are further commented on below. In cases where actual figures are not available at the time of the closing of the accounts, generally accepted accounting principles require management to make estimates and assumptions regarding the effect of these items on the profit and loss account as well as the balance sheet. Actual results could differ from these estimates.

Items due for payment within one year after the date of the balance sheet, is classified as current assets / current liabilities. The carrying value of current assets/ current liabilities is the lower/ higher value of acquisition cost and marked value. Marked value is defined as assumed future selling price deducted by the expected selling costs. Other assets are classified as fixed assets. Fixed assets are reported as the lower of acquisition cost and marked value, and net of depreciation and write downs (note 3). The Company periodically evaluates the carrying value of its fixed assets. The carrying value of a long-lived asset is considered impaired when the estimated net present value of future cash flows from such asset is estimated to be less than its carrying value. These principles also apply to debt.

When using accounting principles and presentation of transaction and other conditions there will be a focus on economical realities, not just legal form. Probable and quantifiable contingent losses will be expensed.

REVENUE RECOGNITION

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

The company categorizes the income as follows:

Revenue related to:

"Internet devices"

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

"Desktop"

- License income
- Advertising income
- Other income

Development costs exceeds 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 invoice 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 Opera gets the number of units sold reported from its customers up to eight weeks after an actual quarter ends, there is a one quarter delay in this reporting. As an example, will the revenue from units sold in fourth quarter 2004, be treated as ordinary income in the first quarter of 2005. Opera consider 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. Opera do not have the information necessary to make such estimates.

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. 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.

COST RECOGNITION / MATCHING

Cost is expensed in the same period as the related revenues are recognized. Cost not directly related to revenue is expensed as incurred.

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.

INTANGIBLE AND TANGIBLE FIXED ASSETS

INTANGIBLE FIXED ASSETS

Intangible fixed assets, which are expected to create income in the future, such as goodwill related to subsidiaries, are capitalized. Amortization is calculated on a straight-line basis over the economic useful life of the intangible fixed asset. If the fair value of an intangible fixed asset is lower than carried value, and the decline is not temporary, the fixed asset is written down to fair value. Costs from research activities are expensed when incurred. For development costs, see the principles of revenue recognition.

FIXED ASSETS

Fixed assets are booked at acquisition cost, net of accumulated depreciation and write-down. If the fair value of a fixed asset is lower than carried value, and the decline is not temporary, the fixed asset is written down to fair value. Cost related to periodical maintenance and repairs are expensed as incurred. Cost related to improvements and replacements that increase the economic life of the fixed asset are capitalized and depreciated. Fixed assets are usually considered as lasting when the economic useful life is more than 3 years, and the cost is material.

DEPRECIATION

Based on acquisition cost, straight-line depreciation is applied over the economic lifespan of the fixed assets. The same rules apply for intangible fixed assets. Depreciation is classified as operating costs.

DEFERRED TAX / TAX ASSETS AND TAX EXPENSES

Deferred tax is calculated based on temporary differences between book values and tax basis for assets and liabilities at the date of the balance sheet. For the purposes of calculating deferred tax/ tax assets, nominal tax rates are used. Taxable and deductible temporary differences are offset to the extent they reverse within the same time frame. A deferred tax asset will arise if there are temporary differences that result in tax deductibles in the future. Due tax for this year is corrected for earlier years errors in estimated number and is included in this years tax expense/ income along with changes in deferred tax and deferred tax assets. The tax effect of the equity transactions is booked as a part of transactions. Taxes paid in a foreign country are expensed due to the fact that there is not calculated payable tax on the Norwegian result. Consequent, the paid tax is deducted in the Norwegian tax calculation.

EARNINGS PER SHARE

The earnings per share is calculated as net result divided on the outstanding number of shares. It is calculated a weighted average of the outstanding shares. Further, warrants and options as of December 31, 2004 is also included in the calculaton of the equity diluted earnings per share.

ACCOUNT RECEIVABLE

Accounts receivable are carried at face value net of allowance for doubtful accounts.

SUBSIDIARIES

A subsidiary is defined as an entity where the company has a long-term, strategic ownership of more than 50% and a decisive vote. Subsidiaries are accounted for using the cost method in the company's financial statement, and as full consolidation in the consolidated financial statement. The subsidiary was consolidated as of December 31, 2000.

CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCIES

Cash and cash equivalents in foreign currencies will be carried at exchange rate on the day of the balance sheet. Unbilled revenues in foreign currencies as of December 31, 2003 are carried at exchange rate on the day of the balance sheet.

OPTIONS

The Company has established an option program for its employees. Opera Software ASA has granted options with a call price that represent a fair market value on the allocated time. Consequently, there is no intrinsic value at the allocated time. The time value of the options is not booked as salary cost. However the payroll tax related to the estimated gain is expensed. The payroll tax is recognized in the profit and loss statement when the value of the option is earned.

OWN SHARES AND FLOTATION COSTS

Flotation costs are booked towards the share premium reserve as part of the equity transaction. Gains on sales of the companies own shares are booked as other equity.

CASH FLOW STATEMENT

The cash flow statement is calculated according to the indirect method. Cash and cash equivalents include cash, banks and other short-term liquid. Cash equivalents include assets, which on short notice and have an immaterial risk, can be converted to cash and also have a due date shorter than three months from acquisition.

TREATMENT OF SUBSIDIARY

Subsidiaries acquired are recognized at the acquisition cost to the parent company and consolidated in the group accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present

CONSOLIDATION PRINCIPLES

Consolidated accounts
The consolidated accounts include the companies that the parent company or a subsidiary directly or through other company has determining influence. The group's accounts has been produced and shows the companies financial position, the result in the year and cash flows as if the group was a single economic entity. Determining influence is considered to exist when a company or through other subsidiary owns more than 50 % of the elector's capital. The group's accounts have been prepared based on unified accounting principles and the subsidiaries use the same accounting principles as the parent company. New acquired subsidiaries are included in the concern accounts from the time the parent company has determining influence. Sold subsidiaries are excluded from the concern accounts from the time of sale.

Elimination of internal transactions
All transactions, inter-company balances, and internal services between group companies are eliminated.

Elimination of shares in subsidiaries
Shares in subsidiaries are eliminated in the group accounts. The acquisition cost is allocated to identifiable assets and liabilities in the subsidiary, which are shown in the group accounts at their actual value as of the acquisition date. Surplus value that cannot be allocated to identifiable assets is capitalized as goodwill. Goodwill is depreciated on a straight-line basis over its expected economic life.

Translation of foreign subsidiaries
In the case of foreign subsidiaries, the profit and loss account is converted to Norwegian kroner based on the average exchange rate for the year, while assets and liabilities are converted at the exchange rate as of the balance sheet day. Changes in the group's equity as a result of differences in the exchange rate on the date of the balance sheet compared with the exchange rate at the previous year's end, are accounted for directly against equity.

Note 2 income

[Numbers in TNOK]

According to the definition in the Norwegian generally accepted accounting standard (NGAAP) no. 10 Segment information, 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 company has one product," the browser", which is materially the same regardless of what product it is part of. Further, according to the definition in NGAAP no. 10 the company does not have geographical markets that satisfy the standards definition to be classified as a segment. The company 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	**2004**	**2003**
Internet devices	65 886	54 870
PC Desktop	33 439	23 661
Total	**99 325**	78 531

	2004	**2003**
Norway	587	688
Europe	47 371	37 032
USA/Canada	33 339	28 628
Asia	18 028	12 183
Total	**99 325**	78 531

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.

The information refers to the group.

Note 3 Wage costs/ Number of employees/Renumerations

[Numbers in TNOK]

	Parent 01.01 - 31.12 2004	2003	**Group 01.01 - 31.12 2004**	2003
Salaries	**52 407**	35 877	**59 878**	41 764
Social Security cost	**8 530**	5 929	**10 900**	8 313
Pension cost	**0**	0	**0**	26
Other payments	**163**	1 131	**1 080**	1 212
Wage cost	**61 100**	42 937	**71 858**	51 315
Average number of employees	141	103	163	126

Remuneration	CEO	Board
Salary	776	0
Other compensation	2	0
Fees	0	640
Pension compensation	0	0

There are no existing agreement concerning severance pay to CEO or members of the board. The company has not given any loans or security deposits to CEO or members of the board, or their related parties.

Note 3 Wage costs/ Number of employees/Renumerations

[Numbers in TNOK]

INDEPENDENT AUDITORS

PARENT COMPANY

Audit fee and other audit related services are booked at	242
Other services are booked at	296

GROUP COMPANY

Audit fee and other audit related services are booked at	263
Other services are booked at	300

OPTION PLAN FOR EMPLOYEES

The Company has established an option program for parts of its employees. In total, 105 employees (or previous employees) and 6 board members (of which two are employee representatives) have been granted share options. Of the options granted to both employees and board members (see note 7), 4 694 750 have a strike price of NOK 2.50, 1 587 500 have a strike price of NOK 7.20, and 440 000 options have a strike price of NOK 10. A total and 50 employees in the parent company and a total of 53 employees in the group holds shares in Opera Software ASA as of 31 December 2004. Opera Software ASA has granted options with a call price that represent a fair market value on the time the options are granted. Consequently, there is no intrinsic value at the time the options are granted.

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

	NOK 2.50	NOK 7.20	NOK 10	Total
June 2005	1 623 250			1 623 250
November 2005		662 500	100 000	762 500
June 2006	1 535 750			1 535 750
November 2006		462 500	75 000	537 500
June 2007	1 535 750			1 535 750
November 2007		462 500	75 000	537 500
June 2008			140 000	140 000
November 2008			50 000	50 000
	4 694 750	**1 587 500**	**440 000**	**6 722 250**

Within an authority granted by the General Meeting, the Company's board of directors administers the Employee Option Plan. The option plan runs over a four years period. A total of 25% of the options may be exercised every year (with some exceptions where it is agreed that the option holder can exercise 40% of the option the first year and thereafter 20% for consecutive years). The exercise of the option may only be made during a one-month period in the relevant year. In the event the option is not exercised for all 25% in each relevant year, the remaining part of the 25% will be annulled. However, the board of directors may in separate agreement prolong the duration of the individual parts of the option.

The option agreement is non-transferable. The employee loses the right to exercise any parts of the option if his or her employment is terminated by the employee or the Company for whatever reason. The employee is entitled to keep any shares exercised during the period he or she was employed.

The number of shares and the strike price shall be adjusted correspondingly in the event of a split of the Company's shares.

Note 4 Fixed assets

[Numbers in TNOK]

Group	Cost rented premises	Machinery and equipment	Fixtures and fittings	Goodwill	2004 Total	2003 Total
Acquisition cost as of 01.01.	1 799	1 943	1 936	7 857	**13 535**	**12 940**
Acquisitions	464	539	1 037	0	**2 040**	**595**
Acquisition cost as of 31.12.	**2 263**	**2 482**	**2 973**	**7 857**	**15 575**	**13 535**
Depreciation as of 01.01	1 403	1 621	1 171	4 714	**8 909**	**6 185**
Accumulated depreciation as of 31.12.	1 716	1 958	1 706	6 286	**11 666**	**8 909**
Net book value as of 31.12.	**547**	**524**	**1 267**	**1 571**	**3 909**	**4 626**
Depreciation for the year	313	337	534	1 572	**2 756**	**2 724**
Useful life	2 years	Up to 3 years	Up to 5 years	Up to 5 years		
Depreciation plan	Linear	Linear	Linear	Linear		

	2004	2003
Office-rental costs recorded against P/L-statement	**4 023**	4 079
Duration of the lease contract	**31.12.10**	**31.12.10**

The company rents offices in Waldemar Tranes Gate 84, 86 og 98. The company has from 2005 entered into a new lease lasting throughout 2010. These are not entered into the balance sheet because the lease is not according to what NGAAS considered as a financial lease.

Goodwill refers to the purchase of the company Hern Labs AB, see note 8.

[Numbers in TNOK]

Parent company	Cost rented premises	Machinery and equipment	Fixtures and fittings	2004 Total	2003 Total
Acquisition cost as of 01.01.	1 799	1 942	1 264	**5 005**	4 560
Additions	464	539	281	**1 284**	445
Acquisition cost as of 31.12.	**2 263**	**2 481**	**1 545**	**6 289**	5 005
Depreciation as of 01.01	1 403	1 620	814	**3 837**	2 818
Accumulated depreciation as of 31.12.	1 716	1 957	1 088	**4 761**	3 837
Net book value as of 31.12	**547**	**524**	**457**	**1 528**	1 168
Depreciation for the year	313	337	274	**924**	1 020
Useful life	2 years	Up to 3 years	Up to 5 years		
Depreciation plan	Linear	Linear	Linear		

Note 5 Cash unit trust

During 2004 the company has realized two money market funds, and the realized gain has been registered as an income pr. December 31, 2004.

As of December 31, 2004 the company has invested in two additinal money market funds. The company's money market funds is recorded at fair value and included in Cash and cash equlents since the money can be immediately released from the fund. Opera Software ASA highlights the issue that loss after December 31, 2004 can occur when units are redempted.

Note 6 tax parent company and group

[Numbers in TNOK]

	Parent 01.01 - 31.12 2004	01.01 - 31.12 2003	Group 01.01 - 31.12 2004	01.01 - 31.12 2003
Current tax				
Profit/ loss before taxes and extraordinary items	**86 853**	2 738		
Permanent differences	**-14 591**	-1 735		
Changes in temporary differences	**40**	-451		
Use of taxable loss carried forward	**-72 302**	-552		
Basis for current tax	**0**	0		
Tax 28%	**0**	0		
Current tax	**0**	0		
Tax expense for the year				
Current tax	**0**	0	**141**	140
Deferred tax - gross changes	**24 193**	539	**24 252**	581
Tax paid abroad	**537**	708	**537**	708
Total tax expense for the year	**24 730**	1 247	**24 930**	1 429
Specification of deferred tax asset				
Deferred tax asset as of 31.12.03	**-21 441**	-21 722		
Expensed change in deferred tax asset	**24 192**	539		
Increase in deferred tax asset concerning equity issue	**-3 959**	-629		
Reduction in deferred tax asset related to gain on sales of own shares	**0**	371		
Deferred tax asset as of 31.12.04	**-1 208**	-21 441		
Specification of the basis for deferred taxes/ tax assets				
Differences to be balanced				
Fixed assets	**-590**	-517	**-590**	-517
Current assets	**178**	402	**178**	735
Liabilities	**-675**	-931	**-129**	-931
Basis for changes in temporary differences	**-1 087**	-1 046	**-541**	-713
Loss carry forward	**-3 226**	-75 528	**-3 226**	-75 528
Total	**-4 313**	-76 574	**-3 767**	-76 241
Deferred tax liability/deferred tax asset	**-1 208**	-21 441	**-1 055**	-21 348

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

In 2004 capital raising costs of NOK 14 140K are directly posted agaist the equity capital. The tax effect of these tax deductable costs NOK 3 959K are recorded to the share premium reserve.

Loss carry forward

Loss carry forward of 2002 on NOK 3 226K expire in 2012.

Reconciliation of tax on ordinary result and tax calculated as average nominal tax on operating result before tax

	Parent Company
28% tax of operating result before tax	24 319
Result of permanent differences booked against P/L	-126
Tax paid abroad	537
Calculated tax on ordinary result	24 730

Tax paid to a foreign country

The company has expensed NOK 537K regarding tax paid to Japan and China. The reason is that Opera Software ASA does not have payable tax in Norway.

Note 7 Shareholders' equity and information:

[Numbers in TNOK]

Group equity:

	Face value	Number	Share capital	Group founds	Total
Equity as of 31.12.2003	**0.02**	**84 653**	**1 693**	**78 284**	**79 977**
Changes in equity in current year					
Increase of equity in March	0.02	12 500	250	124 750	**125 000**
Increase of equity in March	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**
Exchange rate adjustments				-5	**-5**
Net profit				61 025	**61 025**
Equity as of 31.12.2004	**0.02**	**99 265**	**1 985**	**260 347**	**262 332**

Equity parent:

	Face value	Number	Share capital	Premium fund	Other reserves	Other equity	Total
Equity as of 31.12.2003	**0.02**	**84 653**	**1 693**	**79 653**	**954**	**1 491**	**83 791**
Changes in equity in current year							
IIncrease of equity in March	0.02	12 500	250	124 750			**125 000**
Increase of equity in March	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**
Net profit						62 123	**62 123**
Equity as of 31.12.2004	**0.02**	**99 265**	**1 985**	**200 696**	**954**	**63 614**	**267 249**

On January 30, 2004 The General Meeting decided to give the Board of Directors a authority to expand the share capital by NOK 846K. The Board of Directors have used the authority during 2004 and expanded the share capital by NOK 292K. Rest of the authority not used by December 31, 2004 are NOK 554K.

Free equity

The parent company hasa free equity at NOK 63 360K as of December 31, 2004.

Note 7 Capital stock and Shareholders information

[Numbers in TNOK]

Ownership structure:

Stockholders owning more than 1 % of Opera Software ASA as of 31.12.2004 were:

	Number of shares	Interest	Electors interest
Geir Ivarsøy	18 512 120	18.65 %	18.65 %
Jon S. von Tetzchner	17 482 110	17.61 %	17.61 %
JPMorgan Chase Bank S/A Oppenheimer Fund	6 165 000	6.21 %	6.21 %
JPMorgan Chase Bank Clients Treaty Accounts	3 428 500	3.45 %	3.45 %
JPMorgan Chase Bank CMBLSA: RE JP Morgan	3 234 000	3.26 %	3.26 %
Bank of New York, BR BNY GCM Client Account	3 126 000	3.15 %	3.15 %
Håkon Wium Lie	2 329 645	2.35 %	2.35 %
Four Seasons Venture II AS	2 000 000	2.01 %	2.01 %
Four Seasons Venture III AS	2 000 000	2.01 %	2.01 %
Enskilda Securities Egenhandelskonto	1 781 000	1.79 %	1.79 %
Morgan Stanley and Co, Clients Safe Custody	1 702 000	1.71 %	1.71 %
Sanner Industrier AS C/O P C Goller *)	1 399 300	1.41 %	1.41 %
Nordea Bank Denmark S/A Nordea (DK) CCA	1 282 566	1.29 %	1.29 %
Credit Agricole Investor Service	1 240 000	1.25 %	1.25 %
Wilhelmsen AS	1 166 000	1.17 %	1.17 %
Vital forsikring ASA DNB NOR Kapitalforvaltning	1 152 445	1.16 %	1.16 %
Total	**68 000 686**	68.50 %	68.50 %
Other	**31 264 811**	31.50 %	31.50 %
Total number of shares	**99 265 497**	100.00 %	100.00 %

*) CFO/COO Christian Jebsen and his family controls 83.4% of the shares in Sanner Industrier AS.

Shares and options owned by members of the board and the general manager pr 31.12.04

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
Tore Mengshoel ***)	Board Member	40 000	0		40 000
Lars Thoresen****)	Board Member	0	0		0
Håkon Wium Lie	Board Member	2 329 645	300 000	7.2	2 629 645
Michael Tetzschner	Board Member	19 280	100 000	2.5	119 280
Nils Rydbeck	Board Member	0	100 000	10.0	100 000
John Patrick	Board Member	100 000	100 000	10.0	200 000
Live Leer	Board Member (represent the employees)	6 000	37 500	2.5	43 500
Snorre Grimsby	Board Member (represent the employees)	7 200	30 000	2.5	37 200
Snorre Grimsby	Board Member (represent the employees)	0	40 000	10.0	40 000
Jon S. von Tetzchner	Chief Executive Officer	17 482 110	400 000	7.2	17 882 110
		21 594 235	1 107 500		22 701 735

**) 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.
***) Mr. Tore Mengshoel represents the venture fund KS Teknoinvesest, which during 2004 sold all its shares.
****) Mr. Lars Thoresen represents the venture fund Four Seasons Venture that owns 4 000 000 shares.
Opera Software ASA grant options with a call price that represent a fair market value on the grant date.

Note 7 Capital stock and Shareholders information

[Numbers in TNOK]

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

	Titel	Shares	Options	Strike price	Total
Rolf Assev *****)	Executive vice president marketing and strategic alliances	1 083 820	300 000	7.2	1 383 820
Lars Boilesen	Executive vice president sales and distribution	0	480 000	2.5	480 000
Christian Jebsen (Sanner Industries)*)	Chief financial officer/ Chief Operating Officer	1 399 300	112 500	2.5	1 511 800
Christian Jebsen	Chief financial officer/ Chief Operating Officer	0	187 500	7.2	187 500
Christen Krogh	Executive vice president engineering	24 000	350 000	2.5	374 000
Christen Krogh	Executive vice president engineering		100 000	7.2	100 000
		2 507 120	1 530 000		4 037 120

*****) Including shares to related parties

IIt was decided, at an extraordinary General Meeting in September 2002, to take up a convertible loan at a total of NOK 11.85M.
The loan was interest-free, and expired by the end of 2003. The loan was converted into shares on May 13, 2003.
There are 6 320K warrants outstanding with a call price at NOK 1.875 per share. The warrents expire as of December 31, 2005

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 strike price is set at NOK 2.5 per stock.

The table below shows the number of options issued to board members, excluding the employee-representatives and Håkon Wium Lie, at various strike prices and exercise dates. Please see note 2 for information about the employees.

	NOK 2.50	NOK 7.20	NOK 10	Total
June 2005	25 000		25 000	50 000
November 2005			50 000	50 000
June 2006	25 000		25 000	50 000
November 2006			25 000	25 000
June 2007	25 000		25 000	50 000
November 2007			25 000	25 000
June 2008			25 000	25 000
	75 000	**0**	**200 000**	**275 000**

Note 8 investment in subsidiary

[Numbers in TNOK]

The Company has made use of the transition rule in the Norwegian Accounting Act in the company accounts, where it is allowed to use the cost method

Company	**Hern Labs AB**
Formal information	
Date of purchase	13.12.00
Registered office	Linkōping in Sweden
Ownership interest	100%
Proportion of votes	100%

Information related to the date of purchase (in the year of purchase)	
Purchase cost	7 965
Goodwill with purchase	7 857

Note 9 financial market risk

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 subsidiary company. Consequently, the financial risk the company 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.

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.

	Numbers in TNOK	%
NOK	587	0.59
USD	42 562	42.71
EUR	56 176	56.70
Total	**99 325**	100.00

According to the Norwegian Central Bank, the 2004 average exchange rates for US Dollars and Euros against the Norwegian krone was 6.7372 and 8.3715. A reduction in the average dollar rate by 10 % would reduce the income and operating result by NOK 4 201K. A reduction in the average euro rate by 10 % would reduce the income and operating result by NOK 5 618K.

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

Note 10 research cost

Opera Software ASA has bought services concerning the source code of Opera's browsers from Hern Labs AB for NOK 13 473K.
The reasearch costs are included in other costs in the financial statement.

Project income from development of browsers for specific platforms is recorded according to the degree of completion.
The belonging costs are matched to the same project income.

Research costs are mainly related to salary to employees, which for the concern is estimated to NOK 34 815K.

Note 11 Outstanding accounts between companies within the same group etc.

	Accounts receivables 31.12.2004	31.12.2003	Other receivables 31.12.2004	31.12.2003
Entity within group	**0**	0	**0**	0
Total	**0**	0	**0**	0

	Other long-term liabilities 31.12.2004	31.12.2003	Accounts payable 31.12.2004	31.12.2003
Entity within group	**0**	0	**373**	700
Total	**0**	0	**373**	700

Note 12 Contingent outcome

Inspection of accounts:
The tax office in Oslo (Oslo Fylkeskattekontor) has since 2003 been carrying out an inspection of accounts focusing on Value Added Tax (VAT) and investment tax in relation to desktop browser and user registration financed by advertisement. In 2003 the company received a report but the tax office has not yet concluded on the issue. The company has not recorded any accruals in the financial statement related to the issue.

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. The distributor has claimed compensation of JPY 37 052 520 (app. NOK 6 295K). In Opera's opinion, the claim clearly lacks merit. Opera has contested the claim and will continue to do so vigorously.
No legal steps have been initiated, although the claim was first brought forward in May 2004. The contract is governed by Norwegian law and all disputes must be resolved by the courts of Norway. Opera assumes that this makes it less likely that they will pursue the claim further. Consequently, the company has not recorded any accruals in the financial statement related to the issue.

Note 13 Earnings per share

[Numbers in TNOK]

Calculation of Group companies earnings per share	**2004**	**2003**
Net result deducted dividend and other costs related to preference shares (kr) 1)	**61 025 000**	**376 000**
Time average of outstanding shares 2)	**95 634 941**	**78 143 212**
Earnings per share	**0.638**	**0.005**
Equity diluted earnings per share	**0.587**	**0.005**

	2004	**2003**
1)Net result as base for calculation of result per share (kr)	61 025 000	376 000
2) Calculation of average number of share		
Number of shares outstanding as of January 1	84 652 747	
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 share	95 634 941	78 143 212
The following equity instruments has diluting effect:		
Options	6 997 250	8 560 000
Warrants	6 670 000	6 670 000
Total	13 667 250	15 230 000

The options and the warrants have various call prices and reflect a cash inflow of NOK 41 704k. According to Norwegian generally accepted accounting standard no. 7, 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 periode 11.03.-31.12.2004. The company was registrated on Oslo stock Exchange on March 11, 2004.The average market value is calculated to be NOK 8.52.

Options and warrants	13 667 250
Number of bought shares (TNOK 41 704/8,52)	4 894 835
Number of shares with diluting effect	8 772 415

Note 14 related parties

The company has not been involved in any transactions with related parties beyond transactions with the subsidiary Hern Labs.
See note number 10.

Note 15 Other income

Opera Software ASA has settled legal claims with an international corporation resulting in payment to Opera of net NOK 87.6 million.
The other party is not a customer of Opera and the settlement does not negatively impact future revenues.

AUDITOR'S REPORT FOR 2004

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

We have audited the annual financial statements of Opera Software ASA as of 31 December 2004, showing a profit of NOK 62.123.000 for the parent company and a profit of NOK 61.025.000 for the group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements and the 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 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 auditing standards and practices generally accepted in Norway. Those standards and practices 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 accounting estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards and practices 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 have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2004, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with the law and regulations.

Oslo, February 15 2005

KPMG AS

Henning Aass
State Authorised Public Accountant

Note: This translation of the Norwegian statutory Audit Report has been prepared for information purposes only

Transition to International Reporting Standards (unaudited)

From January 1st 2005, the consolidated accounts of Opera Software ASA will comply with International Financial Reporting Standards (IFRS). For the year 2004, the consolidated group financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (NGAAP).

Opera Software ASA has analyzed the differences between NGAAP and IFRS for those areas that will have an affect on the consolidated financial statements.

The identified differences are calculated and presented in the table below. The reconciliations will be the basis for the quarterly reporting in 2005.

The reconciliations are based on management's assumptions about standards and interpretations that are expected to be applicable, and the accounting principles that are expected to be applied in the first complete annual statements at December 31st 2005.

We would like to indicate that the differences between NGAAP and IFRS may change, both in number and in amounts.

Consequently the statements have to be considered as preliminary. This is due to changes in existing standards, new understanding and interpretation of existing standards, and new standards.

Impact of conversation to IFRS	**Equity 31.12.2003**	**Equity 31.12.2004**	**Result 2004**	**Notes**
NGAAP	79 977	262 332	61 025	
Goodwill		1 572	1 572	**1**
Share-based payments			-3 583	**2**
IFRS	79 977	263 904	59 014	

(* All figures in TNOK. The figures are unaudited)

Profit and loss statement 2004 (unaudited)
Numbers in TNOK

Impact of conversion to IFRS	**NGAAP**	**1)**	**2)**	**IFRS**
Revenue	99 325			99 325
Other Income	87 689			87 689
Total operating income	**187 014**			**187 014**
Operating expenses	100 956		3 583	104 539
Depreciation	2 756	(1 572)		1 184
Operating profit	**83 302**	**(1 572)**	**3 583**	**81 291**
Net financial income/(expense)	2 653			2 653
Operating result before tax	**85 955**	**(1 572)**	**3 583**	**83 944**
Tax on ordinary result	(24 930)			(24 930)
Ordinary result	**61 025**	**(1 572)**	**3 583**	**59 014**

Balance sheet as of 31.12. 2004 (unaudited)
Numbers in TNOK

Impact of conversion to IFRS	NGAAP	1)	2)	IFRS
ASSETS				
Deferred tax asset	1 055			1 055
Goodwill	1 571	1 572		3 143
Tangible fixed assets	2 338			2 338
Short-term receivables	33 404			33 404
Cash and cash equivalents	241 275			241 275
TOTAL ASSETS	**279 643**	**1 572**		**281 215**
LIABILITIES & EQUITY				
Paid-in capital	1 985			1 985
Retained earnings	260 347	1 572		261 919
Short-term liabilities	17 311			17 311
TOTAL LIABILITIES AND EQUITY	**279 643**	**1 572**		**281 215**

Notes

1. According to IFRS, Goodwill shall annually be tested for impairment. Yearly depreciation is not required, and depreciation in 2004 shall be reversed. Further, according to IFRS no 1 the goodwill value according to NGAAP as of 31st December 2003 can be used as bases for the IFRS value 1st January 2004. Opera has chosen to follow the suggested exception in its conversion to IFRS.

2. Vested options to employees are expensed according to IFRS 2. Estimated market value is calculated and booked as labor cost in the profit and loss statement.

Opera has expensed all R&D costs as incurring according to NGAAP. According to IFRS, certain types of development of new software which is expected to represent future revenue should be capitalized. Research on and maintenance of existing software should under IFRS be expensed as incurred.

Development of new software which is expected to generate revenue is normally paid for by customers, and is covered in development contracts. Under IFRS, Opera does not capitalize development contracts, as both income and cost related to a certain development project is accounted for in the profit & loss throughout the development period.

Under IFRS, Opera has not capitalized any expenses related to research on and maintenance of software as these are not considered to fulfill the IFRS criteria for capitalizing and depreciating intangible assets.
Expenses in connection with work on the source code are considered to be research and maintenance costs.

Explanation to differences in cash-flow-analysis

There are no particular differences between cash-flow-analysis after IFRS or NGAAP with the exemption of the following:

1. Operating result before tax will change after the adjustments made above
2. The amount for depreciation expenses will be reduced with reversed goodwill-depreciation
3. According to IFRS-reporting, Share-based payment (no cash-effect) will be presented separately

Notes

Notes

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

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