

FIRST QUARTER - 2004



Opera Software ASA
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FINANCIAL STATEMENT – FIRST QUARTER 2004

PROFIT AND LOSS ACCOUNT <i>(Figures in TNOK)</i>	First Quarter		Accumulated		Full year
	2003	2004	2003	2004	2003
Revenues, PC/Desktop	5 463	7 028	5 463	7 028	23 307
Revenues, Internet Devices	6 976	14 701	6 976	14 701	55 224
Total Operating Revenues	12 439	21 729	12 439	21 729	78 531
Payroll and related expenses	13 213	16 166	13 213	16 166	51 315
Depreciation and amortization	770	679	770	679	2 724
Other operating expenses	4 807	8 280	4 807	8 280	23 227
Total operating expenses	18 790	25 125	18 790	25 125	77 266
Earnings Before Interest and Tax ("EBIT")	-6 351	-3 396	-6 351	-3 396	1 265
Net financial items	5	1 141	5	1 141	540
Earnings Before Tax ("EBT")	-6 345	-2 255	-6 345	-2 255	1 805
Taxes	1 666	417	1 666	417	-1 429
Earnings After Tax ("EAT")	-4 678	-1 838	-4 678	-1 838	376
Earnings per share	-0.08	-0.02	-0.08	-0.02	0.00
Earnings per share fully diluted	-0.08	-0.02	-0.08	-0.02	0.00

BALANCE SHEET <i>(Figures in TNOK)</i>	31. March		31-Dec
	2003	2004	2003
Assets			
Deferred taxes	21 722	25 408	21 348
Goodwill	4 321	2 750	3 143
Tangible assets	1 699	1 913	1 483
Other current assets	10 259	43 799	37 412
Cash and cash equivalents	3 414	145 867	28 388
Total assets	41 415	219 737	91 774
Liabilities & equity			
Paid in capital	22 010	194 918	79 516
Retained earnings	0	0	461
Short-term liabilities	19 405	24 819	11 797
Total liabilities & equity	41 415	219 737	91 774

CASH FLOW STATEMENT <i>(Figures in TNOK)</i>	First Quarter		Accumulated		Full year
	2003	2004	2003	2004	2003
Cash flow from operating activities	-5 602	-7 119	-5 602	-7 119	-20 937
Cash flow from investment activities	0	-720	0	-720	-594
Cash flow from financing activities	0	125 352	0	125 352	40 903
Change in cash and cash equivalents	-5 602	117 513	-5 602	117 513	19 372
Cash and cash equivalent, beginning of period	9 016	28 388	9 016	28 388	9 016
Cash and cash equivalent, end of period	3 414	145 867	3 414	145 867	28 388

EQUITY <i>(Figures in TNOK)</i>	Accumulated per 31. March		Full year
	2003	2004	2003
Opening balance	26 506	79 977	26 506
Net profit/loss	-4 678	-1 838	376
Equity issues	0	116 799	53 095
Other	36	-20	0
Closing balance	21 864	194 918	79 977

INTERIM RESULTS <i>(Figures in TNOK)</i>	Q4	Q1	Q2	Q3	Q4	Q1
	2002	2003	2003	2003	2003	2004
Total operating revenues	13 794	12 439	19 248	18 041	28 802	21 729
EBIT	-6 381	-6 351	2 169	-1 024	6 462	-2 942
Sales growth quarter by quarter (%)	15.1%	-9.8%	54.7%	-6.3%	59.6%	
Pre-tax earnings per share (NOK)	-0.114	-0.083	0.019	-0.008	0.06	
Pre-tax earnings per share (NOK) fully diluted	-0.114	-0.083	0.016	-0.008	0.05	

Note: The quarterly financial statement is based on the same principles as the annual accounts. All accounts are made in accordance with NRS 11.

OPERA SOFTWARE ASA – FIRST QUARTER 2004

Highlights

- Revenues of MNOK 21.7 in Q1 2004, up from MNOK 12.4 in 1Q 2003, a growth of 75%
- Earnings before interest and tax (“EBIT”) of MNOK -3.4 in 1Q04 compared to MNOK -6.4 in 1Q03
- Opera was listed on the Oslo Stock Exchange on March 11, 2004. The offering was more than 20 times oversubscribed, and raised MNOK 125 in new equity
- Opera on several new devices coming from Nokia, Sharp, and Kyocera
- Opera unveiled several innovations including the mobileIPG, making it possible to retrieve TV listings on handsets so to record programs at home while on the move

Financials

Operating revenues in the first quarter of 2004 (“1Q04”) was MNOK 21.7, up from MNOK 12.4 in 1Q03. The turnover increased by 75% on a year-to-year basis.

EBIT in 1Q04 was MNOK -3.4, compared to MNOK -6.4 in 1Q03.

Income from Internet devices was MNOK 14.7 in 1Q04, up from MNOK 6.9 in 1Q03. Income from desktop products was MNOK 7.0, up from MNOK 5.5 last year.

The operating costs increased from MNOK 18.8 in 1Q03 to MNOK 25.1 in 1Q04, a growth of 33.7%.

Payroll and related expenses grew from MNOK 13.2 in 1Q03 to MNOK 16.2 in 1Q04, mainly due to customer-driven organizational growth.

Opera successfully completed an issue of shares in connection with the company’s listing on Oslo Børs on March 11, 2004. The company sought to place up to 27,944,900 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.

Cash and cash equivalents were MNOK 146 at the end of 1Q04.

Internet Devices

The income from Internet devices grew from MNOK 6.9 in 1Q03 to MNOK 14.7 in 1Q04, a growth of 111%.

In January, it was announced that Sharp had chosen to include Opera on the Sharp Zaurus SL-6000 Linux-based PDA. Opera was also in the SL-6000’s predecessors, the SL-5500 and SL-5600, receiving praise from media and users alike.

The Zaurus was the first device announced to include the latest in Opera’s browser development for Mobiles, Opera version 7. Opera 7 ensures the highest performance with added speed and the most advanced standards support available in the mobile market.

In February, Opera and Motorola’s Personal Communications Sector (PCS) announced a licensing agreement to deliver Opera’s Internet browser on multiple Motorola PCS handsets. The agreement also provides Motorola PCS with a licensing power for the Opera Platform,

a full integration solution between handheld devices’ local applications and operator’s online content. This announcement complemented the joint product and distribution agreement between Opera and Motorola Global Software Group announced in January.



Nokia 7610



Sharp Zaurus SL-6000

At a press conference at the CeBIT trade fair in March, Nokia unveiled the new Nokia 7610 handset. The 7610 includes the Opera browser in the standard sales package.

In March, Opera revealed the first result of its cooperation with Kyocera in the Chinese market. Lucent LU PS-900 and ZTE V91, both designed and developed by Kyocera, are the first handsets in the upcoming new generation of browser-centric phones where access to the full Internet is the device’s key feature. These devices are designed from the ground up to allow for a great Internet experience, including a high-quality screen and an Opera-branded softkey that easily brings users online for Web surfing.



Kyocera phone featuring Opera-branded softkey

Desktop

Income from Desktop grew from MNOK 5.5 in 1Q03 to MNOK 7.0 in 1Q04, a growth of 29%.

The revenue growth is driven by increased advertising revenue. Desktop license revenue decreased in 1Q04 compared to 1Q03 when Opera 7 was launched.

Continued innovation

Opera’s emphasis on innovation continued to yield visible results in 1Q04. Opera unveiled several technologies that received wide coverage in the media: Medium-Screen Rendering (MSR), the mobile Interactive Program Guide (mobileIPG), and the upcoming release of a multimodal desktop browser in cooperation with IBM.

Unveiled in January, MSR is a continuation of Opera’s work to adapt the Web to every screen size, introduced with the Small-Screen Rendering (SSR) in 2002. While SSR generates a user-friendly version of Web pages for screen sizes used by today’s smartphones, it is not a perfect solution for larger screens. MSR delicately squeezes content to fit medium sized screens, without having to resort to horizontal scrolling or zooming on for example PDAs running in ‘Landscape’ mode.



Mock-up of generic PDA running Opera's MSR technology in landscape mode



MobileIPG: interactive TV program guide both on the small and smaller screen.

Announced in March, the mobileIPG (mobile Interactive Program Guide) demonstrates the potential for the iTV industry when using open, standards-based Web technologies. By combining the fact that there is Opera's Web technology in the set-top box as well as on the handset, the industry can in the future make it possible to have live program listings on smartphones, resulting in the option for users to record their favorite TV programs while on the move.

Also in March, Opera announced the upcoming release of a multimodal desktop browser that incorporates IBM's Embedded ViaVoice speech technology. By leveraging IBM's voice libraries in this version of Opera, users will be able to navigate, request information and fill in Web forms using speech and other forms of input in the same interaction. Opera will make the IBM integrated voice browser available later this year.

Organization

As of March 31, the company had 145 employees, compared to 128 employees by the end of December 2003 and 120 employees by the end of 1Q03.

Opera foresees further customer-driven organizational growth in 2004. New employees will mainly be working within the development, quality assurance, documentation and sales departments.

Outlook

Revenue from Internet devices and desktop increased in 1Q04 compared to the same period last year, and this trend is expected to continue. The operating costs will grow mainly due to the planned organizational growth in 2004. The costs are expected to grow at a lower pace than revenues for 2004.

Internet devices

One important limitation for enhanced data services has been the memory capacity of the handsets. The handsets have just not been powerful enough to include advanced software in order to increase data traffic. This is about to change. UBS Investment Research expects that out of the 550 million handsets to be sold in 2004, phones with color screens and camera will account for 68% and 44% respectively. Phones with color screens and cameras require more memory, and the better the quality of the screens and cameras, the more memory is required.

With the increasing memory capacity, Opera believes that during the next years, most new phones will be able to run an HTML browser. With the relatively low cost of a browser compared to the revenue opportunity it represents, Opera expects that operators will request a browser to be pre-installed on most handsets.

Opera's business model is dependent on having the browser included on mass-market phones¹. Until recently, Opera has been included on advanced handsets selling in lower volume. This has changed with the Nokia 6600 that, according to media reports, sold more than 2 million units

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

during the first four months after its introduction. Opera believes that, over time, most phones will get more powerful. The company believes that it is well positioned to take a leading role in the market for internet device browsers.

Within the market for digital television, Opera believes general product innovation is accelerating as the market transitions to high-end set-top boxes. Opera believes that its proven, off-the-shelf technology with HTML, JavaScript, CSS and DOM capability is the key to simpler and cheaper hardware to deliver enhanced iTV applications. Opera today offers a range of different solutions, from content viewers for set-top boxes or advanced Web browsers for interactive TV solutions.

Opera believes that the switch to digital transmission for television will be the main driver for Opera's open standard based technology to be adopted by the mass-market.

Desktop

Opera believes that desktop revenue will continue to grow with the number of users. The company believes that advertising will become an increasingly important income generator.

Shareholder and Equity Related Issues

Opera successfully completed an issue of 12,500,000 shares in connection with the company's listing on Oslo Børs on March 11.

As of March 31, 2004, the total number of shares outstanding was 97,152,747.

In an effort to enhance corporate governance, the shareholders decided to increase the external expertise and the independence of the Board of Directors before public listing. Jon S. von Tetzchner and Geir Ivarsøy, the two founders of the company, decided to step down from the Board at an extraordinary general meeting held on January 30, 2004. John R. Patrick, former vice president Internet Technology, IBM Corporation, and a leading Internet visionary, was elected as a new board member.

Oslo, May 6, 2004

The Board of Directors
Opera Software ASA

Christian H. Thommessen
Chairman
(sign.)

Jon S. von Tetzchner
CEO
(sign.)