

# FOURTH QUARTER - 2004



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## FINANCIAL STATEMENT – FOURTH QUARTER 2004

PROFIT AND LOSS ACCOUNT <i>(Figures in TNOK)</i>	Fourth Quarter		Accumulated	
	2003	2004	2003	2004
Revenue, PC/Desktop	5 205	9 757	23 307	33 439
Revenue, Internet devices	23 597	20 078	55 224	65 645
Other income	0	124	0	87 689
<b>Total Operating Revenues</b>	<b>28 802</b>	<b>29 959</b>	<b>78 531</b>	<b>186 773</b>
Payroll and related expenses	14 902	22 436	51 315	71 858
Depreciation and amortization	682	683	2 724	2 756
Other operating expenses	6 756	7 677	23 227	29 098
<b>Total operating expenses</b>	<b>22 340</b>	<b>30 796</b>	<b>77 266</b>	<b>103 712</b>
<b>Earnings Before Interest and Tax ("EBIT")</b>	<b>6 462</b>	<b>-837</b>	<b>1 265</b>	<b>83 061</b>
Net financial items	13	1 487	540	2 894
<b>Earnings Before Tax ("EBT")</b>	<b>6 475</b>	<b>650</b>	<b>1 805</b>	<b>85 955</b>
Taxes	-1 429	-273	-1 429	-24 930
<b>Earnings After Tax ("EAT")</b>	<b>5 046</b>	<b>375</b>	<b>376</b>	<b>61 025</b>
Earnings per share	0.06	0.00	0.00	0.62
Earnings per share fully diluted	0.05	0.00	0.00	0.54

BALANCE SHEET <i>(Figures in TNOK)</i>	December 31	
	2003	2004
<b>Assets</b>		
Deferred taxes	21 348	1 055
Goodwill	3 143	1 571
Tangible assets	1 483	2 338
Other current assets	37 412	33 404
Cash and cash equivalents	28 388	241 275
<b>Total assets</b>	<b>91 774</b>	<b>279 643</b>
<b>Liabilities &amp; equity</b>		
Paid in capital	79 516	200 846
Retained earnings	461	61 486
Short-term liabilities	11 797	17 311
<b>Total liabilities &amp; equity</b>	<b>91 774</b>	<b>279 643</b>

CASH FLOW STATEMENT <i>(Figures in TNOK)</i>	Fourth Quarter		Accumulated	
	2003	2004	2003	2004
Cash flow from operating activities	-8 675	5 710	-20 937	97 552
Cash flow from investment activities	-183	-633	-594	-2 041
Cash flow from financing activities	1 421	1 892	40 903	117 376
Change in cash and cash equivalents	-7 437	6 968	19 372	212 887
Cash and cash equivalent, beginning of period	35 825	234 307	19 016	28 388
Cash and cash equivalent, end of period	25 388	241 275	28 388	241 275

EQUITY <i>(Figures in TNOK)</i>	Accumulated per December 31	
	2003	2004
Opening balance	26 506	79 977
Net profit/loss	376	61 025
Equity issues	53 095	121 335
Other	0	-5
Closing balance	79 977	262 332

INTERIM RESULTS <i>(Figures in TNOK)</i>	Q3	Q4	Q1	Q2	Q3	Q4
	2003	2003	2004	2004	2004	2004
Total operating revenues	18 041	28 802	21 729	110 759	24 567	29 959
EBIT	-1 024	6 462	-3 396	89 974	-2 439	-837
Sales growth quarter by quarter (%)	-6.3%	59.6%	-24.6%	409.7%	-77.8%	21.0%
Pre-tax earnings per share (NOK)	-0.01	0.06	-0.02	0.65	-0.02	0.00
Pre-tax earnings per share (NOK) fully diluted	-0,01	0.05	-0.02	0.57	-0.02	0.00

**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 – FOURTH QUARTER 2004

## Highlights

- The number of mobile phones sold that included the Opera browser, was 2.557 million in 3Q04 compared to 173 thousand units in 3Q03<sup>1</sup>
- Vodafone, one of the world's largest mobile phone operators, will be the first operator to launch Opera Platform based technology in its networks
- Opera browser included on ARCHOS' new WiFi-enabled Pocket Media Assistant
- Revenue of MNOK 30.0 in 4Q04, up from MNOK 28.8 in 4Q03, a growth of 4%
- Earnings before interest and tax ("EBIT") of MNOK -0.8 in 4Q04 compared to MNOK 6.5 in 4Q03.
- Accumulated PC/Desktop revenue for the year was MNOK 33.4, compared to MNOK 23.3 in 2003, a growth of 43.5%.
- Accumulated revenue from Internet devices for the year was MNOK 65.9, compared to MNOK 55.2 in 2003, a growth of 19.3%

## Financials

Operating revenue in the fourth quarter of 2004 ("4Q04") was MNOK 30.0, up from MNOK 28.8 in 4Q03. Accumulated ordinary revenue was MNOK 99.1, up from MNOK 78.5. The revenue increased by 26.5% on a year-to-year basis.

Income from PC/Desktop products was MNOK 9.8, up from MNOK 5.2 last year. Income from Internet devices was MNOK 20.1 in 4Q04, down from MNOK 23.6 in 4Q03<sup>2</sup>.

Operating expenses increased from MNOK 22.3 in 4Q03 to MNOK 30.8 in 4Q04, a growth of 37.8%. Accumulated operating costs were MNOK 103.7 compared to MNOK 77.3 in 2003, a growth of 34.3%.

EBIT in 4Q04 was MNOK -0.8, compared to MNOK 6.5 in 4Q03. Accumulated EBIT excluding non-recurring income was MNOK -4.4, compared to MNOK 1.3 in 2003.

Cash and cash equivalents were MNOK 241.3 at the end of 4Q04.

## Internet devices

The income from Internet devices declined from MNOK 23.6 in 4Q03 to MNOK 20.1 in 4Q04. Accumulated revenue from Internet devices for the year was MNOK 65.9, compared to MNOK 55.2 in 2003, a growth of 19.3%.

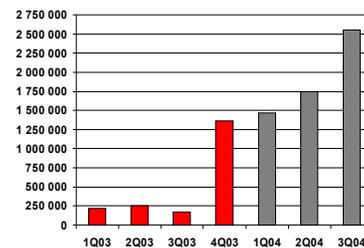
Development related income decreased in 4Q04 compared to the same period last year. The main reason is that Opera has chosen to work on projects which have generated less fees in the development stage while having a larger income potential in the commercial stage. One example is the development of Opera Platform which until now has demanded substantial resources and only generated limited revenues. The first commercial version of Opera Platform will be available in Vodafone's networks in 1Q05. This single customer alone,

represents a substantial revenue opportunity for the company from 3Q05 and onwards.

Royalty related income has increased significantly compared to the same period last year. The number of mobile phones sold to end users that included the Opera browser, was 2.557 million in 3Q04, compared to 173 thousand units in 3Q03. During the first nine months of 2004, Opera was installed on 5.773 million phones compared to 0.64 million during the same period last year.

## Mobile phones

Number of phones sold with the Opera browser



Vodafone, one of the world's largest mobile phone operators with more than 150m subscribers world-wide, will be the first operator to launch Opera Platform based technology in its networks. The first handset is expected to be available for end users soon. Opera Platform is a powerful and flexible technology for creating a Dynamic User Experience (DUE) based on open standard Web technologies enabling integration of offline and online use of the phone. End users can enjoy improved access to frequent tasks, while operators benefit from branded and dynamically updated content and services.

The BREW (Binary Runtime Environment for Wireless) -based Casio W21CA mobile phone with the Opera browser was shipped by KDDI in December. This is the first phone deployed since the agreement between KDDI and Opera was signed in August. The Casio W21CA makes Opera the first full Web browser active on the Japanese 3G network. KDDI, the largest 3G mobile operator in Japan with more than 18m subscribers, has chosen Opera to fulfill the promise of 3G capabilities.

In November, Opera and Qualcomm announced the Mobile Contextual Shopping Capabilities via the BREW-based Opera Browser. The solution will give mobile users a more flexible shopping experience on their handsets. Opera's mobile Web browser and the BREW solution, allow operators to enhance their subscribers' wireless Internet experience by providing them with a feature-rich shopping experience. The users will be able to purchase and download contextually relevant content such as applications, ring tones, wallpapers and skins.

## Home media

Opera announced that the Opera browser will be included on ARCHOS' new WiFi enabled Pocket Media Assistant PMA400.



Archos Pocket Media Assistant PMA400

<sup>1</sup> As Opera gets the sales number reported from its customers up to eight weeks after an actual quarter ends, there is a one quarter delay in this reporting. The revenue from units sold in 3Q04 is treated as ordinary income in 4Q04.

<sup>2</sup> MNOK 7.0 of the internet device income in 4Q03, was Home media related, and was generated from a settlement between the Company and Canal+ Technologies after a dispute on payments by Canal+ under an agreement.

The PMA400 will be the first portable video player to include full Internet access with the fast Opera browser and its unique rendering technology for all screen sizes.

The Pocket Media Assistant is the first Linux-based 30GB portable video player and recorder, which allows consumers to record directly from the TV, listen to music, browse the Internet and stay connected. With integration of the Opera browser, users can enjoy full Internet access while on the move, making the PMA400 the most versatile portable video player and recorder on the market.

#### **PC/Desktop**

Income from the PC/Desktop was MNOK 9.8, up from MNOK 5.2 last year, an increase of 87.5%. Accumulated PC/Desktop revenue for the year was MNOK 33.4, compared to MNOK 23.3 in 2003, a growth of 43.5%.

In December, Opera released the beta version of Opera 8 for the Windows platform. The latest version is even faster and includes a range of new usability tools, including Opera's new Extensible Rendering Architecture (ERA) for screen and print, improved RSS handling, start bar for easy access to main features, speech in- and output, and automatic update checks -- all presented in a simplified user interface. The final version is expected to be launched in Q105.

#### **Continued innovation**

In November, Opera announced that the problem of rendering Web pages effectively regardless of screen size was solved. Opera's new ERA technology means no more horizontal scrolling and improved ability to print entire Web pages. In combination with Opera's zoom function, ERA also presents a compelling accessibility feature with which users can magnify Web pages dramatically and still view them without having to scroll sideways.

Opera's rendering technologies have previously included Small- and Medium-Screen Rendering (SSR/MSR) to render Web pages on mobile devices, as well as TV-Rendering (TVR) for effectively displaying Web pages on regular television sets. ERA is the architecture that incorporates all of Opera's rendering technologies in one dynamic framework, and thus concludes Opera's effort to solve the rendering problem regardless of screen size.

In December, Opera released a technical preview of the Opera browser for Windows Mobile. Smartphone 2003 users can now enjoy the benefits of a faster and better Internet experience from their mobile phones. This development supports operators' need for choice of operating system, while meeting their customers' demands for an exceptional full Web browser on their mobile phones.

#### **Organization**

As of December 31, the company had 195 employees, compared to 128 employees as of January 1, 2004 and 182 employees by the end of 3Q04.

Opera foresees further customer-driven organizational growth in 2005.

#### **Outlook**

Opera expects a significant increase in the revenue growth rate in 2005, as deployment of mobile browsers starts to accelerate. Opera's competitive position in this market is stronger into 2005 compared to last year.

Operating cost will grow at a similar pace as in 2004, as a consequence of customer-driven organizational growth in 2005. Consequently, the board expects 2005 to become the first year of solid earnings and earnings growth, as Opera's scaleable business model will be proven.

However, as the bulk of the growth is expected to take place in the second half of the year, first quarter outlook remains cautious.

#### **Mobile phones**

The market for handsets with increased functionality showed material growth in 2004. These high- and mid-range handsets also accounted for increasingly higher proportions of the total sale of mobile phones. 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' need for increased functionality and better services to make use of faster network speeds.

As the price of voice is decreasing due to strong competition, operators are looking for ways to increase income by transferring traffic from voice to data. Increased data traffic is crucial in order to justify the substantial investments in network upgrades. Opera believes that internet access will be a vital application to facilitate the need for data functionality, and expects operators to demand a full Web browser to be preinstalled on most handsets in the years to come. The launch of Opera Platform in Vodafone's networks is significant in this context, and is expected to drive the demand for similar products among other operators.

Opera expects the market for high- and mid-range handsets to increase substantially in 2005. The company has a leading browser technology and is well positioned to take a leading role in the mobile Internet market. Hence the number of mobile phones that includes the Opera browser is expected to grow significantly.

#### **Home media**

Digital media content is rapidly becoming popular in the mass consumer market, most visible through the growth of digital consumer content such as music, images, TV/video and games in the home. Opera believes that future home media devices, including DVD recorders and set-top boxes, to a large extent will be networked and have electronic storage capacity. Downloading of music and video is foreseen to drive this demand. Downloading into hard drives will require a browser, and Opera believes that its proven browser technology will enable simpler and cheaper hardware that deliver enhanced applications. Opera sees a substantial increase in interest for Opera's product offering in the home media sector and expects multiple projects to materialize during 2005.

#### **PC/Desktop**

Opera believes that advertising will become an increasingly important income generator in the personal computer segment. The increased media attention on security and alternative browsers has heightened awareness about browsing alternatives in general, which has had a positive influence on Opera's revenue. The company believes that this trend will endure, and that the desktop revenue will continue to grow with the number of users.

Oslo, February 15, 2005

The Board of Directors  
Opera Software ASA

Christian H. Thommessen  
Chairman  
(sign.)

Jon S. von Tetzchner  
CEO  
(sign.)