Dolphin Interconnect Solutions ASA

ANNUAL REPORT 2008

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CEO'S LETTER

2008 was a challenging year for the industry and Dolphin. As a company we faced a number of unexpected hurdles which necessitated changes in our original plans and prevented us from reaching our goals. As we struggled to gain market momentum it became necessary to institute a number of cost saving initiatives. Although many of the decisions and trade-off the company had to face were difficult I believe Dolphin is now better positioned to face the continued uncertain market.

Through this process the company maintained an overriding commitment to maintain its core technical competitive assets. The company possesses talent, technology and expertise unmatched in the industry. Its core competency lies in the sweet spot of an exciting emerging market with high growth potential. Although a number of initiatives had to be stopped or postponed the core strength of the company was preserved.

Through the initiative to spin out the Numascale business, the innovative technology embodied in the company's NumaChip development will be appropriately funded through venture investment. By restructuring the company's remaining cost profile the Dolphin Express software and hardware products can be a profitable business in the short term.

As we move forward in 2009 an important strategic initiative will be to build a strong network of partners. Through these partnerships Dolphin will deliver complete solutions to customers combining its best of class technologies with those of its partners. This model provides an effective and efficient path to growth in a competitive and fast moving industry.

In 2009 we will work aggressively to realize Dolphin's true potential. We thank you for your continued support.

Tim Miller
CEO

INVESTOR RELATIONS

The goal of the investor relations activities in Dolphin is to contribute to maximizing shareholder value. This is attained through timely, correct, equal and analytical presentation of relevant information concerning both Dolphin and its industry sector.

The nature of the business and operating activities in Dolphin are complex. The company believes that thorough and regular information for the financial community, in addition to scheduled quarterly presentations, is necessary to increase understanding of the company and its industry segment. This will contribute to a share price that correctly reflects the company's earnings potential and its underlying value as precisely as possible.

In view of Dolphin expansive plans to launch new products and enter new market segments in the years ahead, the company currently intends to retain all available financial resources and any earnings generated by operations to secure successful execution of these plans. Therefore, the Company does not anticipate paying dividends in the medium term horizon. All Dolphin shares are freely tradeable and each share carries one vote at the shareholders meetings.

The reporting language in the company is English. The company submits all relevant information to the Oslo Stock Exchange, as well as publishing this information on its website. Dolphin has entered into an agreement with Oslo Stock exchange for broad and simultaneous distribution of news and bulletins. Published material always includes slide material presentations when relevant.

Dolphin increased the share capital one times in 2008. The increase occurred in July where the share capital was increased by NOK 1,160,000 when 5,800,000 shares were issued at NOK 2.30 in a public issue. Total gross proceeds from the stock issue were NOK 13,340,000. The issue of the 5,800,000 shares was executed on an authorization to the board granted in the shareholders' meeting on 28 May 2008.

Total outstanding authorization to the board to increase the share capital in the company is NOK 40,000, which corresponds to 200,000 shares following the capital increases noted above. Total authorization corresponds to 0.9% of the company's share capital after the stock issue. Such a proxy makes it easier for the company to increase capital in connection to acquisitions or to strengthen the company's liquidity reserves if necessary. The authorization is valid until the ordinary shareholders' meeting in 2009.

In addition the board has an authorization to increase the share capital by a total of 5% of total outstanding shares through incentive programs to the employees in Dolphin. As of 31.12.2008 the board has given the employees a total of 1,130,000 options, which correspond to 4.98% of total outstanding shares. The option programs have duration of maximum 6 years. The authorization is valid until the ordinary shareholders' meeting in 2010.

On 26 June 2008 the company established a wholly owned subsidiary, Numascale AS. Effective 13 August 2008 all assets, intellectual property, personnel and activities related to the development of NumaChip were transferred to this subsidiary. The transfer was executed through a subscription for share wherein Dolphin acquired 2,079,699 shares at a share price of NOK 10 against a total consideration of NOK 29,796,990. On 8 September 2008 Numascale AS announced it had placed 634,706 shares in a private issue of shares directed towards shareholders in Dolphin. Further funding was then pursued from Norwegian and international venture investors. Although a term sheet for funding of Numascale AS was received in September it did not close as anticipated in December. Alternative funding sources are being pursued.

Prior to the IPO and listing on the Oslo Stock Exchange in April 2006, Dolphin had approximately 200 shareholders. Since then, total number of shareholders has steadily grown to 552 by January 2009. The increase in shareholder numbers has improved trading liquidity in Dolphin shares. In 2008 Dolphin had a Market-Maker agreement with Orion Securities. In the Market-Maker agreement, Orion made prices for a minimum volume of four lots at the maximum difference between the bid and ask price of 4%. The Market-Maker agreement was ended by March 13, 2009. Dolphin shares are classified on the OB Match segment.

Dolphin presents its quarterly and annual results to the financial community prior to opening of trading the same day as the results are released. Both investors and analysts are invited. The financial calendar for 2009 is:

28 May	Results 1st quarter
28 May	Annual shareholders meeting
20 August	Report 2nd quarter
12 November	Report 3rd quarter

Development of price and volume of trade of the Dolphin share at OSE

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The board of directors in Dolphin holds the opinion that corporate governance outlines the most important principles and guidelines for corporate management, and the definition of the relationship between the shareholders, the board of directors and the executive management of the company. In addition, the board of directors has implemented values and ethics guidelines. These, together with the Corporate Governance Code, exist to protect and forward the interests of shareholders and other interested parties, such as employees, customers and suppliers. In this section, all elements in the Norwegian Code of Practice for Corporate Governance are reviewed.

Business
Paragraph two of the articles of association defines Dolphin's business to be within development, marketing and sale of electronics. This includes hardware, software and other related products. Through the years, Dolphin has focused its resources on developing a unique competence in computer interconnect. Effective interconnects are needed between computers, as well as within and between the various components of a single computer.

Dolphin has expanded its area of strategic focus to include the database and data serving markets. The integration of former StarGen in 2007 adds to the Dolphin product range and widens the company's platform with the introduction of the new PCI Express products in early 2008. Lastly, the NumaChip launch is planned for 2009. This will reinforce Dolphin's position in the server market by expanding Dolphin's share of the valuable high-end server segment.

Equity and dividends
As of 31 December 2008 the equity ratio in Dolphin is 76%, compared to 91% in 2007 and 90% in 2006. The decrease is mainly due to write down of intangible assets in 2008. In 2008 the major development activities in Dolphin were the NumaChip project and SuperSockets software extensions for Dolphin Express products. At the same time, Dolphin was in the early launch phase with the Dolphin Express products. As the company is in an important period of product development, it is unlikely that any dividend will be paid over the medium term.

At the shareholders' meeting held on 28 May 2008, the board was given a proxy to increase the share capital by up to NOK 1,200,000. Of this, NOK 1,160,000 was used in July 2008 through a public issue of 5,800,000 shares. The proxy makes it easier for the company to complete capital increases connected to, for example, exercise of warrants, acquisitions and, if necessary, further strengthening of liquidity reserves. The proxy includes the possibility for the board to waive the pre-emptive rights of the existing shareholders if necessary. The proxy is not limited to any specific purpose and comprises of capital increases in return for non-cash contributions and a right to assume special obligations on behalf of the company, as well as a merger resolution in accordance with § 13-5 of the Limited Liability Companies Act. The authorization is valid until the ordinary general meeting in 2009.

At the shareholders' meeting on 28 May the board was authorized to increase capital by up to 5% of total outstanding shares for the purpose of implementing an employee options program. As of 31.12.2008 the board has given the employees a total of 1,130,000 options, which correspond to

4.98% of total outstanding shares. The option programs have duration of maximum 6 years. The authorization is valid until the ordinary shareholders' meeting in 2010.

Equal treatment of shareholders and transaction with close associates
Dolphin has only one class of share and this has no voting restrictions. The board of directors does not intend to submit any proposals to the general assembly concerning voting restrictions.

The company's policy on transactions with close associates is based on the requirement that all transactions must be at arm's length and at market price. In 2008, there have been no transactions with close associates in the company.

Freely negotiable shares
Dolphin has no restrictions on the negotiability of its shares and the board of directors does not intend to submit any proposals to the general assembly concerning any such restrictions.

General assembly
Dolphin has followed the period of notice stipulated in the Norwegian Public Limited Companies Act, i.e. 14 days' notice, as there are no limitations in the company's articles of association, or otherwise, concerning the period of notice. In 2009, Dolphin will continue to strive to give notice and make relevant material available on the company's website no longer than 21 days prior to the meeting. As long as it's practical, Dolphin will continue to waive shareholders' requirement to notify their attendance of the meeting. The agenda and any supporting material will be comprehensive and contain detailed information on the resolutions under consideration, as well as any recommendations from the nomination committee. A proxy form is attached to the notification and the minutes of the meeting will be published on the company's website and made available for inspection at the company's offices.

Nomination committee
According to its articles of association, Dolphin has a nomination committee consisting of three members who are either shareholders or representatives thereof. The nomination committee must submit candidates for the board and its own composition to the annual general meeting, and propose compensation for members of the board. Members of the nomination committee are elected for a period of two years. Up until now, the chairman has been elected among the members. The annual general meeting held on 28 May 2008 elected the following committee: Riulf Rustad, Odd Eide and Hans Othar Blix. All members are independent of the Board of Directors.

Corporate assembly and board of directors – composition and independence
Under Norwegian law, Dolphin is not required to have a corporate assembly. There are five board members, each elected for two years at a time. The chairman of the board has up to now been elected among the board's members. The company's executive management is not represented on the board. The Board has accommodated employee representation on the board, and initiatives to nominate candidates are currently ongoing.
The annual general meeting held on 28 May 2008 elected the following directors: Marit Døving, Monica Myklebust Øyen, Tor Alfheim, Alf Rasmussen and Ole Henrik Eide (elected chairman by the members).

All members are considered independent of management and do not hold any significant business relationships with Dolphin. The majority of the board does not represent any of the largest shareholders. None of the board members are or have been employed by the company.

The work of the board of directors
The board of directors is elected by the shareholders to oversee the executive management and to ensure that the long-term interests of the shareholders and other interested parties are being served. The board's main responsibility is to determine the company's overall vision, goal and strategy.

The board has resolved and adopted a written set of rules and procedures. The purpose is to structure the work and administrative procedures of the board and to provide clear internal allocation of responsibility. According to these rules, the board should plan meetings six months ahead, prepare an annual work plan and evaluate progress and its own competence once a year. Furthermore, the board adopted a written set of rules and procedures for the CEO. These include comprehensive guidelines for the CEO's responsibilities and clearly distinguish between the responsibilities of the board and the CEO.

In addition, the board has resolved and adopted guidelines with regard to values and ethics (the 'code of conduct'). The purpose of the code of conduct is to create a sound corporate culture and to preserve the integrity of the Dolphin Group by helping employees promote good business practice. Furthermore, the code is intended to be a tool for self evaluation and a vehicle for development of the group's identity. The code applies to members of the board of directors, the CEO, members of management and other employees in all companies within the group, as well as others acting on behalf of Dolphin companies.

At the time of this report, the board is evaluating the need to establish sub-committees to ensure thorough and independent preparation and review of compensation paid to members of the executive management and the group's financial reporting.

Risk management and internal control
Dolphin has implemented instructions and written routines approved by the board in several areas from regulations for insider trading to guidelines for values and ethics.

A vital element of Dolphin's risk management is its implementation of high-quality written routines for the company's important business and reporting areas. Since October 2006, these have been ISO 9001:2000 approved.

Dolphin has implemented monthly financial reporting to the board of directors and quarterly interim reporting to the Oslo Stock Exchange. In order to reduce the overall financial risk, group accounts are consolidated every month, and discussed and analyzed in a monthly report to the board. Both the monthly and quarterly reports undergo internal quality control and, in addition, external resources are used to monitor the monthly accounts. The report includes main items from the balance sheet and working capital. The internal operating reports review economic and financial risk, in addition to the management's assessment of significant risk within major customer relationships, market segments and product development. Financial development is tracked and measured monthly against an approved annual budget. Financial reporting complexity is generally regarded as low in Dolphin.

An emphasis on risk management is reflected in Dolphin's business plan. All major budget assumptions and contingencies are discussed in detail. The annual business plan also includes guidelines for investor relations activity within the group.

Remuneration of the board
The remuneration to the board of directors is set at NOK 125,000 for the chairman and NOK 80,000 for each member. None of the directors receive compensation, including result or share-based payments, other than the annual fee decided by the annual shareholders meeting.

Remuneration of the executive management
The board of directors Issue and publish guidelines for the remuneration of the members of the executive management. Dolphin has a warrants program for former StarGen employees that signed up with Dolphin. All of the warrants have vesting criteria, while 80% are also subject to performance criteria being met. In addition, Dolphin has an options program for all employees. All of these options have vesting criteria. Further information on remuneration of the executive management is provided in note 25 to the financial statments.

Information and communication
Dolphin continues to maintain an open dialogue with the capital markets, and arranges regular presentations for investors, analysts and others. The main emphasis is on the timely, correct, equal and analytical presentation of relevant information concerning both Dolphin and its industry sector. The board has developed and implemented an investor relations policy for the company. As part of this policy, an investor relations execution plan with set targets is implemented and forms an integral part of the company's annual business plan.

As the company is engaged in a specialist industry, particular focus is placed on communicating in language understandable for investors who are not sector specialists. Information is published in the annual and quarterly reports, in presentations, on the website and through press releases. Dolphin communicates all share price sensitive information to the stock exchange and simultaneously publishes the information on the company’s web pages. The company’s operating language is English. All information is communicated within the framework established by securities and accounting legislation, and the rules and regulations of the stock exchange.

Corporate takeover
The board of directors will not seek to obstruct any takeover bids for the company unless resolved by a general meeting following announcement of the bid. In the event of a takeover bid, the board of directors will seek to ensure that all shareholders are treated equally and issue a statement that includes the board’s assessment of the bid and its recommendation.

Auditor
The company’s external auditor is appointed by the general assembly and is responsible for the financial audit of both the parent company, the Norwegian subsidiary, Numascale AS and the US subsidiary and the group accounts. The company’s auditor for 2008 is BDO Noraudit. The auditor’s primary objective is to audit with the accuracy, competence and integrity as dictated by relevant laws and professional standards. The board has developed and implemented guidelines for the auditor and its associate’s non-audit work. These guidelines are intended to safeguard the independence and integrity of the auditor and the public’s confidence in the company’s audit. Dolphin continues to maintain relations with other audit firms for non-audit services to help secure the independence of the company's auditor.

DECLARATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and CEO have today discussed and approved the annual report and financial statements Dolphin Interconnect Solutions ASA, the Group and Parent company, for calendar year 2008 and per 31. December 2008 (Annual Report 2008). The consolidated accounts have been prepared in accordance with IFRS's approved by EU and interpretations, as well as the further Norwegian requirement arising from Norwegian Accounting act to be applied per 31.12.2008. The financial statements for the Parent company are prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles per 31.12.2008. The annual report for the Group and the Parent is prepared in accordance with the Accounting Act requirements and the Norwegian Accounting Standard no. 16 per 31.12.2008. To the best of our conviction:

- the 2008 financial statements for the Group and Parent company, are prepared in accordance with applicable accounting standards
- information in the statements provide a true and fair view of the Group and Parent company's assets, liabilities and financial position and performance as a whole as at 31 December 2008
- the annual report for the Group and Parent company, give a true and fair view of:
    - the development, performance and position of the Group and Parent company
    - the most important risk and uncertainty factors faced by the Group and Parent company

Oslo, April 29th, 2009

Ole Henrik Eide Chairman of the board	Alf Rasmussen Member of the board	Marit Elisabeth Døving Member of the board
Timothy Russel Miller Managing Director	Tor Alfheim Member of the board	Simen Thoresen Member of the board (emp.rep.)

DIRECTORS' REPORT

The Dolphin Interconnect Solutions group (Dolphin) is located at Olaf Helsetsvei 6, Oslo Norway. The group owns 100% of Dolphin Interconnect Solutions North America Inc at 225 Cedar Hill Street Marlborough, MA 01752 USA (doing business as Dolphin, Inc.). Dolphin also owns and 72.7% of Numascale AS also located at Olaf Helsetsvei 6, Oslo Norway. The group is engaged in development, marketing and sales of computer hardware and software. The group's production is out-sourced to sub-contractors in Norway and various other countries, and the global sales and marketing activities are managed from the U.S. offices.

Products and product development

Over the last 2 years Dolphin has been executing a product generation transition. Older generation products continue to be sold but in decreasing volumes. No additional development investment is made in these older generation products. In 2007 the company was in a phase of active product development on the new generation products. In 2008 Dolphin entered a period of early launch of these new generation hardware products based on the PCI Express technology. Coupled with Dolphin's SuperSocket software suite these products form the core of the Dolphin Express product line. In 2008, as focus shifted to market launch, product development in the Dolphin Express business has been limited to development of several computer cards and additional software development to allow support for an expanding number of operating systems and applications.

The development of NumaChip continued in the subsidiary Numascale through 2008. The first prototypes are now expected to be available in 2009.

A large part of Dolphin's revenues in 2008 came from the older generation products sold to the embedded segment. This includes the StarFabric product line acquired with StarGen in 2007 and the SCI based products sold to several large OEM customers.

Market conditions

Dolphin achieved its stated financial goals for the first half of 2008 but market conditions deteriorated significantly during the second half of the year. The company invested significantly to capitalize on opportunities with Dolphin Express in the Oracle marketplace. By Q3 however it became clear that obstacles in that marketplace would require additional time to overcome and the decision was made to reduce overall cost and focus sales efforts more narrowly. The overall market conditions at the end of the year had a negative impact on the legacy business sales as well although no major customers were lost.

The market timing for the new PCI Express products appears positive in 2009 as interest in using PCI Express as a system interconnect solutions grows. Dolphin is positioning to take advantage of this trend with by developing strategic partnerships. The opportunity to leverage the unique software capabilities Dolphin possess on top of standard PCI Express hardware is especially promising.

In the first half of 2008 it also became clear the NumaChip development would require significant additional investment and could not be covered through cash generated by operations. It was decided to spin-out the development into a separate subsidiary which could be funded separately. Although a term sheet for funding of Numascale was received in September it did not close as anticipated in December. Alternative funding sources are being pursued. NumaChip will address the untapped segment for shared memory servers.

With the new PCI Express-based hardware developed by StarGen, Dolphin is able to address new areas of the interconnect market. This opportunity forms the basis of the group's prediction that most growth will come from new markets and unexploited segments of existing markets.

The organization

To adjust for the lower than planned revenue during the year a number of cost cutting initiatives were executed. This included reduction in headcount on a worldwide basis impacting all functions within the organization. A more focused sales and marketing strategy using lower resources was put in place to focus on MySQL rather than Oracle and cultivating sales through a partner network. Several lower priority development efforts were stopped or postponed so engineering resources could focus on the highest return programs. Several initiatives to consolidate operations were also undertaken to compensate for fewer operational and administrative resources.

Finance

Total revenue in the group increased from NOK 27,333,762 in 2007 to NOK 32,985,688 in 2008, a growth of 20.7%. Product sales however decreased from 27,333,762 to 24,830,368, a reduction of 9.2%. This reduction reflects the continued decline of the legacy products StarFabric and SCI-based products and the slow growth of the newly launched Dolphin Express product line. The expiry of large OEM contracts for the SCI based product is the major explanation of the continued decline in the SCI based products. Sales were distributed geographically as follows: 50% in Europe, 37% in US, 7% in Japan and 6% in other areas. Only a negligible share of the revenue was from sales to companies in Norway.

The group's operating expenses decreased from NOK 51,047,220 in 2007 to 48,118,253 in 2008. The reduction equals 5.7%

The Group performs impairment testing of intangible assets and goodwill according to IAS 36 annually or whenever there is any indicator of impairment of the booked assets in the Group accounts. As of 31.12.2008, Dolphin owns 72.7% of Numascale AS, the assets booked in Numascale therefore undergoes similar measurements.

The impairment tests are based on discounting future net cash flows. Due to a reduction in the expected sales growth for the coming years, the worsened economic climate and high financial risk, the discounted value of future cash flow has been significantly reduced. The Board therefore found it correct to write down the value of the intangible assets in the Group accounts to reflect the current value resulting from the impairment tests performed in February 2009. These tests are based on the Boards best estimate for future revenue and cost as well as assessment of financial risk. However, the current economic climate has made budget planning and risk assessment more uncertain, and the Board will therefore conduct impairment analysis more frequently in 2009. Given further reduction in future estimates for product sales, higher financial risk and/or ability for Numascale to establish funding, further write downs may be warranted.

Intangible assets in the form of capitalized development cost related to Dolphin Express products has been written down by NOK 24,114,706 in the Group accounts for 2008. Part of the write down of capitalized development cost is related to excess values from the acquisition of StarGen Inc in 2007. The goodwill resulting from this acquisition has subsequently been written off in it's entirety by NOK 8,619,170. In addition, the value of capitalized development cost in Numascale has been written down by NOK 7,565,246 in the Group accounts.

During the second quarter 2008 Dolphin resolved to put the development of the SCI based P2S chip on hold and capitalized development cost of NOK 3,839,280 relating to this project was written off. Also in the second quarter 2008, Dolphin wrote off 6,836,859 related to the development of NumaChip in connection with the transfer of the assets related to this project to the subsidiary Numascale AS.

After the above write down, the operating loss for the Group in 2008 was NOK 72,835,433, compared to a loss of NOK 26,129,155 in 2007.

Due to loss on operation in 2008 and the uncertain economic outlook the Board has also found it correct to reverse the capitalization of deferred income tax assets of NOK 9,710,424. Additionally, deferred income tax liabilities of NOK 4,734,700 has been reversed as a result of the write down of the excess values described above. In sum, the reversal of tax assets and liabilities results in a non payable tax charge of NOK 3,977,062 in the Group accounts for 2008.

Net loss in the Group amounted to NOK 69,273,530 for the fiscal year 2008 compared to 26,222,861 for 2007. Of the deficit for 2008, 1,422,217 is attributable to minority interests and 67,851,313 is attributable to the equity holders of the parent company.

Total cash flow from operational activities in the Group was NOK -12,610.684 in 2008 compared to NOK -16,521,705 in 2007.

Total cash and cash equivalents were NOK 11,832,396 at the end of 2008, a decrease from NOK 32,664,426 as of 31.12.2007. The decrease reflects the continued negative cash flow from operations and investments, in particular in Numascale. The stock market has been through a very week period in 2008 and the beginning of 2009. The price of the shares in the company has fallen sharply through the same period. The combination of this and the lack of clear evidence of growth and significant contribution from new products have reduced the Group's ability to self finance through issuing new shares. For this reason, the management of the Group's cash reserves have the highest priority in 2009 and on March 17th, the company announced that it will implement further significant reductions to operating cost compared to the cost level by the end of 2008.

Total current assets for the group were NOK 29,220,443 at the turn of the year, versus NOK 46,706,198 by the end of 2007.

Total assets in the group were NOK 71,761,259 by the end of 2008 compared to 120,573,886 as of 31.12.2007. The reduction can to a large extent be explained by the write down of intangible assets described above. The equity ratio for the Group as of 31.12.2008 is 76% compared to 91% as of 31.12.2007.

Allocation of result and free equity
The board suggests that the year's deficit in the parent company of NOK -51,898,772 is covered by transfer from other equity. As of 31.12.2008 there was no free equity in the parent company.

Future outlook

During the second half of 2008 it became clear that market barriers for Dolphin Express in the Oracle marketplace was higher than anticipated. However, the continued decline in legacy business and the slower ramp in Dolphin Express necessitated implementation of significant cost reductions and organizational restructuring. Adjustments to sales strategy and resources were undertaken to focus on nearer term opportunities.

It is anticipated the legacy SCI business will continue to decline through the first half of 2009 when final orders from the last major SCI OEM contract will ship. Legacy StarFabric business is impacted by general economic conditions and although no major current customers have been lost order rates are down. This will most likely continue during the economic downturn. The company has refocused its sales activities to OEMs and through new partnerships, and these are expected to produce modest product growth over the next several quarters.

After the transfer of assets and activities related to the development of NumaChip to Numascale in 2008, the cost level in the remaining part of the company has been significantly reduced. On March 17, 2009 the company announced further significant cost reductions. Although cash reserves at the end of 2008 are relatively low, these measures will further reduce cash usage and growth gap to positive cash generation.

Financial risk

Market risk: The group is exposed for changes in foreign exchange rates as most of the group's revenue is in EUR or USD. Recent appreciation of the USD and EUR has led to higher revenue from product sales, but also higher cost due to the operations in the US and due to foreign suppliers invoicing in USD and EUR. The use of forward contracts for sale and purchase of foreign exchange is evaluated on a continual basis.

Credit risk: The risk of a trading partner being unable to fulfill its financial obligations is considered low, and Dolphin has historically had low loss on trade receivables. A significant part of the revenue is still on long term contracts. The group has currently no financial agreements or instruments to minimize credit risk, but will evaluate the use of such as the customer portfolio evolves.

Liquidity risk: Cash and cash equivalents amounts to NOK 11,832,396 in the Group as of December 31 2008. This level of cash and cash equivalents are considered to be low and calls for particular management attention in order to minimize related risk. The Group is listed on the Oslo Stock Exchange and the equity market is considered to be the primary source of funding. However, the current economic climate and lack of evidence of growth from new products have made the company's ability to raise funds through the issuance of stock uncertain. Although cash usage is expected to fall from Q2 2009, the Group expects negative cash flow also in parts of 2009 and liquidity risk must therefore be considered to be high. Payment-due terms for trade receivables have been largely maintained during 2008.

Internal environment:

The work environment in Dolphin is considered to be satisfactory. The sick-leave rate is relatively low. There have not been any work-related accidents, occupational injuries or serious damage to equipment in 2008.

Dolphin has an arrangement with a health service that includes analysis and suggestions for improvements in the working environment, and is in compliance with the relevant laws regarding health, safety and the environment. During 2008, no major changes in HSE policy have been necessary.

External environment
Dolphin's operations do not directly pollute the external environment. The group's products have, as other electronic products, contained lead and other substances regarded hazardous to the environment. In co-operation with its vendors, the group has in the period 2005 to 2008, implemented changes in the products so that they comply with the RoHS directives. The new products have been gradually phased in for customer use during the last years. Some customers in the medical and military markets are excluded from the requirements at this stage.

Equality
Dolphin has 35 employees at the end of 2008, including 7 women. The group's goal is to provide a workplace with full equality between men and women. The group has implemented a policy that aims to provide gender equality in issues such as salaries, advancement and recruiting.

Working hours in the group relate to the various positions and are independent of gender. Apart from this, the ratio of employees working part time is higher among women.

Originally the board consisted of 3 men and 2 women, but Monica June Myklebust Oyen resigned from the Board for personal reasons August 28, 2008. After the resign the assembly of the board has not been in compliance with The Public Limited Liability Companies Act Section 6-11a. An initiative to identify a replacement female director is in process.

The profit and loss account
In the opinion of the board of directors, the proposed profit and loss account and balance sheet give a correct picture of the group and group's position as of 31.12.2008.

Going concern
In accordance with the Norwegian Accounting Act, §3-3a, it is hereby confirmed that the assumptions of going concern are in effect. This assumption is based on prognoses for 2009 results and the group's long-term strategic forecasts for the years to come.

Oslo, April 29th, 2009

Ole Henrik Eide Chairman of the board	Alf Rasmussen Member of the board	Marit Elisabeth Døving Member of the board
Timothy Russel Miller Managing Director	Tor Alfheim Member of the board	Simen Thoresen Member of the board (emp.rep.)

Dolphin Interconnect Solutions ASA

Income Statement

Parent Company				Group		
2007	2008		Note	2008	2007	2006
		OPERATING REVENUES				
13 922 574	14 952 693	Sales	8	24 830 368	27 333 762	32 091 691
0	0	Other operating revenue	22	8 155 320	0	3 949 841
13 922 574	**14 952 693**	**TOTAL OPERATING REVENUE**		**32 985 688**	**27 333 762**	**36 041 532**
		OPERATING EXPENSES				
5 911 325	4 579 255	Cost of goods sold		7 790 841	9 814 806	14 662 028
16 713 577	11 407 420	Payroll expenses	21,23,25,26	26 080 060	25 114 756	11 884 495
10 701 771	7 079 377	Other operating expenses	13,24,25	14 247 351	16 117 658	12 168 929
33 326 673	**23 066 052**	**TOTAL OPERATING EXPENSES**		**48 118 253**	**51 047 220**	**38 715 452**
-19 404 099	**-8 113 359**	**EBITDA**		**-15 132 564**	**-23 713 458**	**-2 673 920**
1 323 524	1 899 068	Depreciation	9,10,11	6 727 607	2 415 697	348 419
0	13 281 926	Write down	10,12	50 975 261	0	6 038 104
-20 727 623	**-23 294 353**	**OPERATING PROFIT (EBIT)**		**-72 835 433**	**-26 129 155**	**-9 060 443**
		FINANCIAL INCOME AND COSTS				
1 186 202	1 690 351	Interest income	28	615 994	989 521	1 234 333
568 404	8 726 649	Foreign exchange gains		9 096 393	568 404	1 580 305
1 495 141	1 711 895	Foreign exchange losses		2 000 760	1 495 141	1 536 725
0	27 434 695	Write down of shares		0	0	0
150 623	164 405	Interest and other financial expense		172 662	151 681	82 516
108 842	**-18 893 995**	**NET FINANCIAL PROFIT**		**7 538 965**	**-88 897**	**1 195 397**
-20 618 781	**-42 188 348**	**PROFIT BEFORE TAXES**		**-65 296 468**	**-26 218 052**	**-7 865 046**
0	9 710 424	Income taxes	20	3 977 062	4 809	-3 989 793
-20 618 781	**-51 898 772**	**PROFIT OF THE YEAR**	27	**-69 273 530**	**-26 222 862**	**-3 875 253**
		Attributable to:				
		Minority interests		-1 422 217	0	0
		Equity holders of the parent company		-67 851 313	-26 222 862	-3 875 253
		TRANSFERS				
-20 618 781	-51 898 772	Allocated to retained earnings				
-20 618 781	**-51 898 772**	**TOTAL TRANSFERS**				

Dolphin Interconnect Solutions ASA

Balance sheet

Parent Company 2007	Parent Company 2008	ASSETS	Note	Group 2008	Group 2007	Group 2006
		NON-CURRENT ASSETS				
22 897 430	2 883 896	Capitalized development cost	10	42 344 089	62 947 211	8 911 664
9 710 424	0	Deferred income tax assets	20	0	9 710 424	9 710 424
278 073	159 731	Operating equipment	9	196 727	925 694	179 344
40 170 406	29 876 218	Shares in subsidiaries	5	0	0	0
0	0	Other long term receivables		0	284 359	2 189
73 056 333	**32 919 845**	**TOTAL NON-CURRENT ASSETS**		**42 540 816**	**73 867 688**	**18 803 621**
		CURRENT ASSETS				
8 424 348	5 883 645	Inventories	14	11 415 016	9 034 552	11 296 088
1 582 096	1 650 260	Trade receivables	13	2 771 020	3 627 865	1 764 659
10 139 620	32 754 235	Other short term receivables	13,28	3 202 010	1 379 354	3 908 499
30 800 245	7 755 741	Cash and cash equivalents	15	11 832 396	32 664 426	48 553 242
50 946 309	**48 043 881**	**TOTAL CURRENT ASSETS**		**29 220 443**	**46 706 198**	**65 522 488**
124 002 642	**80 963 726**	**TOTAL ASSETS**		**71 761 259**	**120 573 886**	**84 326 109**

Dolphin Interconnect Solutions ASA

Balance sheet

Parent Company 2007	Parent Company 2008	EQUITY AND LIABILITIES	Noter	Group 2008	Group 2007	Group 2006
		EQUITY				
		Subscribed equity				
3 374 222	4 534 222	Share capital	16,17,26,27	4 534 222	3 374 222	1 790 468
101 051 836	112 119 278	Share premium fund	17	112 119 278	101 051 836	44 041 951
104 426 058	**116 653 500**	**Total subscribed equity**		**116 653 500**	**104 426 058**	**45 832 419**
		Retained equity				
11 163 230	-40 156 562	Retained earnings	17	-66 033 668	5 467 165	29 881 606
11 163 230	**-40 156 562**	**Total retained equity**		**-66 033 668**	**5 467 165**	**29 881 606**
0	**0**	**Minority interests**		**4 236 540**	**0**	**0**
115 589 288	**76 496 938**	**TOTAL EQUITY**		**54 856 372**	**109 893 223**	**75 714 025**
		NON CURRENT LIABILITIES				
0	0	Deferred tax liability	20	2 857 926	0	0
561 389	588 633	Other long-term liabilities	19	588 633	561 389	883 751
561 389	**588 633**	**TOTAL NON CURRENT LIABILITIES**		**3 446 559**	**561 389**	**883 751**
		CURRENT LIABILITIES				
4 753 650	1 479 619	Trade payables	28	9 222 440	6 871 413	4 814 349
1 219 247	898 030	Public duties payable	15	1 232 784	1 219 247	1 248 197
1 879 068	1 500 506	Other current liabilities	18	3 003 104	2 028 614	1 665 787
7 851 965	**3 878 155**	**TOTAL CURRENT LIABILITIES**		**13 458 328**	**10 119 274**	**7 728 333**
124 002 642	**80 963 726**	**TOTAL EQUITY AND LIABILITIES**		**71 761 259**	**120 573 886**	**84 326 109**

Oslo, April 29th, 2009

Ole Henrik Eide Chairman of the board	Alf Rasmussen Member of the board	Marit Elisabeth Døving Member of the board
Timothy Russel Miller Managing Director	Tor Alfheim Member of the board	Simen Thoresen Member of the board (emp.rep.)

Dolphin Interconnect Solutions ASA

Statement of Cash Flow

The statement of cash flow is a systematic overview that shows how the company has received and used cash and cash equivalents during the year. The statement of cash flow is supposed to present the development of operation, investment and financing during the periods.

Parent Company			Group		
2007	2008		2008	2007	2006
		Cash flow from operational activities			
-20 618 781	-42 188 348	Operating result before tax	-65 296 468	-26 218 053	-7 865 046
0	0	Paid taxes	-27 883	-4 809	-8 061
1 323 524	1 899 068	Depreciation	6 727 607	2 415 697	348 431
0	13 281 926	Write down of intangible assets	50 975 261	0	6 038 104
0	27 434 695	Write down of shares	0	0	0
0	0	Changes in pension obligations	0	0	-1 846 194
2 175 116	578 980	Cost of options	578 980	2 175 116	0
2 871 740	2 540 703	Changes in inventory	-2 201 395	2 261 536	-3 779 635
182 563	-68 164	Changes in receivables	1 457 191	-1 863 206	670 740
-339 992	-3 274 031	Changes in trade payables	1 701 547	2 057 064	708 276
-5 784 881	-23 314 388	Changes in other current assets/debt items	-6 525 524	2 654 950	-605 873
-20 190 711	**-23 109 559**	**Net cash flow from operational activities**	**-12 610 684**	**-16 521 705**	**-6 339 258**
		Cash flow from investment activities			
-5 245 794	-17 140 507	Aquisition of subsidiary	0	0	0
-196 038	-22 060	Purchase of operating equipment	-22 060	-1 935 827	-187 474
-15 211 986	-12 016 324	Purchase of intangible assets	-26 193 056	-20 348 729	-7 868 310
0	16 989 260	Disposals of intangible assets	0	0	0
-20 653 818	**-12 189 631**	**Net cash flow from investment activities**	**-26 215 116**	**-22 284 556**	**-8 055 784**
		Cash flow from financial activities			
-322 362	27 244	Payment of long term debt	27 244	-322 362	-343 629
0	0	Issue of shares in subsidiary	5 192 025	0	0
23 669 027	12 227 442	Issue of shares	12 227 442	23 669 027	44 293 634
23 346 665	**12 254 686**	**Net cash flow from financial activities**	**17 446 711**	**23 346 665**	**43 950 005**
-17 497 864	-23 044 504	Net changes in cash and cash equivalents	-21 379 089	-15 459 596	29 554 963
0	0	Foreign exchange changes	547 059	-429 220	-17 300
48 298 109	30 800 245	Cash and cash equivalents 01.01	32 664 426	48 553 242	19 015 579
30 800 245	**7 755 741**	**Cash and cash equivalents 31.12**	**11 832 396**	**32 664 426**	**48 553 242**

Dolphin Interconnect Solutions ASA

Statement of changes in equity

Parent Company	Share Capital	Share premium fund	Other Equity	Total Equity
Equity 01.01.2007	1 790 468	44 041 951	29 606 895	75 439 314
Issue of shares (StarGen acquisition)	506 154	34 418 458	0	34 924 612
Issue of shares	181 000	7 964 000	0	8 145 000
Issue of shares	896 600	15 914 654	0	16 811 254
Cost of issue of shares	0	-1 287 227	0	-1 287 227
Cost of options to employees	0	0	2 175 116	2 175 116
Net profit	0	0	-20 618 781	-20 618 781
Equity 31.12.2007	**3 374 222**	**101 051 836**	**11 163 230**	**115 589 288**
Equity 01.01.2008	3 374 222	101 051 836	11 163 230	115 589 288
Issue of shares	1 160 000	12 180 000	0	13 340 000
Cost of issue of shares	0	-1 112 558	0	-1 112 558
Cost of options to employees	0	0	578 980	578 980
Net profit	0	0	-51 898 772	-51 898 772
Equity 31.12.2008	**4 534 222**	**112 119 278**	**-40 156 562**	**76 496 938**

Group	Share Capital	Share premium fund	Other Equity	Total Equity
Equity 01.01.2007	1 790 468	44 041 951	29 881 606	75 714 025
Issue of shares (StarGen acquisition)	506 154	34 418 458	0	34 924 612
Issue of shares	181 000	7 964 000	0	8 145 000
Issue of shares	896 600	15 914 654	0	16 811 254
Cost of issue of shares	0	-1 287 227	0	-1 287 227
Cost of options to employees	0	0	2 175 116	2 175 116
Currency translation differences	0	0	-366 695	-366 695
Net profit	0	0	-26 222 862	-26 222 862
Equity 31.12.2007	**3 374 222**	**101 051 836**	**5 467 165**	**109 893 223**
Equity 01.01.2008	3 374 222	101 051 836	5 467 165	109 893 223
Issue of shares	1 160 000	12 180 000	0	13 340 000
Cost of issue of shares	0	-1 112 558	0	-1 112 558
Issue of shares in subsidiary	0	0	5 162 024	5 162 024
Cost of options to employees	0	0	578 980	578 980
Currency translation differences	0	0	-3 731 767	-3 731 767
Net profit	0	0	-69 273 530	-69 273 530
Equity 31.12.2008	**4 534 222**	**112 119 278**	**-61 797 128**	**54 856 372**

Dolphin Interconnect Solutions ASA

Notes to the Financial Statement 2008

Note 1 - General information

Dolphin Interconnect Solutions ASA and its subsidiary in the U.S. develops, manufactures and markets high-speed, high-bandwidth interconnect products based on the Scalable Coherent Interface. The Group sells its products all over the world, but the main markets are in the US, Japan and Europe. The sale is handled directly, in OEM agreements, by resellers and by distributors and integrators.

Dolphin Interconnect Solutions ASA is a Norwegian company, with headquarter in Oslo.

These consolidated financial statements have been approved for issue by the Board of Directors on April 29th 2009.

Note 2 - Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Dolphin Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 6.

2.2 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in NOK, which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies
The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
(ii) income and expenses for each income statement are translated at average exchange rates
(iii) all resulting exchange differences are recognized as a separate component of equity.

2.4 Operating equipment
All machinery and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on all assets is calculated using the straight-line method to allocate their cost or revalue amounts to their residual values over their estimated useful lives, as follows:
– Furniture, fittings and equipment 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, se note 2.6.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.5 Intangible assets
Research and development
Development cost of products which can be measured with reliability and that probably will generate future economic benefits is capitalized and depreciated. Research on new products and maintenance of existing products is expensed as incurred. Costs which are capitalized contain internal payroll costs and external assistance. Public grants regarding capitalized products reduce the capitalized amount.

Capitalized development cost is depreciated over the period the products are expected to give economic benefits. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Impairment of non-financial assets
Operating Equipment and intangible assets with definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Inventory
Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Trade receivables
Trade receivables are recognized at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is recognized in the income statement.

2.9 Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.10 Taxes
Tax expense on the income statement includes payable taxes and the change in deferred tax for the period. The change in deferred tax reflects the future payable taxes resulting from the current year's activities. Deferred tax is based on accumulated profit, but which will be payable in subsequent accounting periods. Deferred tax is calculated on net tax-increasing differences between the balance sheet items used for accounting purposes and those used for taxation purposes, adjusted for deductible temporary tax differences and tax losses carried forward according to the liability method.

Deferred tax assets are only capitalized to the extent that it is probable that there will be future taxable income available for reducing the difference. Deferred tax assets are assessed for each period and will be reduced if it is no longer probable that the deferred tax asset can be used.

2.11 Employee benefits
(a) Pension obligations
Dolphin Interconnect Solutions ASA changed from a defined benefit pension plan to a defined contribution plan in 2006. The Subsidiary in the U.S. does have a defined contribution plan too. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The change of pension plan in 2006 resulted in a cost reduction of MNOK 1.8 because of a reversal of the recognized pension obligation.

(b) Share-based compensation
The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Profit-sharing and bonus plans
The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.12 Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group. Sales of goods are recognized when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

2.13 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.
There are no financial leases in the Group.

2.14 Borrowing costs
Borrowing costs is expensed in the same period as accrued.

2.15 Provisions
Provisions are recognised when the Group has an obligation as a result of past events, and when it is probable that there will be a financial settlement as a result of this obligation and the amount can be measured reliably. Generally speaking, provisions are based on historical data and a weighting of possible outcomes against the probability they will occur. If the time value is significant, the provision will be the net present value of the amount expected to be required to meet the obligation.

2.16 Classification
Assets related to normal operating cycles or that fall due within 12 months are classified as current assets. Other assets are classified as non-current. Similarly, liabilities related to normal operating cycles or that fall due within 12 months are classified as current liabilities. Other liabilities are classified as non-current.

2.17 Segments
The Group is organized as one operational segment, and reporting is done based on consolidated figures. The company does a split of sales based on product groups and geography. Note 8 contains segment reporting of the groups sales, which is prepared in accordance to IAS 14 Segment reporting.

2.18 Net profit per share
The Group present ordinary earnings per share and earnings per share after dilution. Ordinary earnings per share are calculated as the ratio between the net profit/(loss) for the year that accrues to the ordinary shareholders and the weighted average number of shares outstanding. The figure for diluted earnings per share is the result that accrues to the ordinary shareholders, and the number of weighted average number of shares outstanding has been adjusted for all diluting effects related to share options.

2.19 New standards effective for 2008 and 2009
Dolphin has applied IFRIC 11 without any significant impact on the reported figures.

IFRS and interpretations approved by the EU/EEA and which were not mandatory at 31 December 2008, have not been applied by Dolphin.
IFRS and IFRIC interpretations expected to be applied as from 1 January 2009:
IFRS 8 – Operating segments
IAS 1 (revised) – Presentation of financial statements
IFRIC 13 – Customer loyalty programmes
IFRIC 14 – IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction

IFRS and IFRIC interpretations expected to be applied as from 1 January 2010 or later:
IFRS 3 (revised) – Business combinations
IAS 27 (revised) – Consolidated and separate financial statements
Amendment to IAS 39 Financial instruments – recognition and measurement – eligible hedged items
IFRIC 16 – Hedges of a net investment in a foreign operation
IFRIC 17 – Distributions of non-cash assets to owners

With the exception of IFRS 8 – Operating segments, which could change measurement rules for segment profit, segment assets and segment liabilities, the implementation of the amendments listed above is not expected to have a significant impact on the consolidated accounts on the date of implementation.

IASB's annual improvement projects
The amendments implemented in several standards will enter into effect in 2009.
The following is a list of the most important changes that can affect recognition, measurement and information disclosure in the notes:
IFRS 5 – Non-current assets held for sale and discontinued operations
IAS 1 – Presentation of financial statements
IAS 19 – Employee benefits
IAS 28 – Investments in associates, and IAS 31 – Interests in joint ventures
IAS 36 – Impairment of assets
IAS 39 – Financial instruments – recognition and measurement
None of the amendments will lead to changes in the Group's application of accounting policies or disclosure of information in the notes.

Note 3 - Financial risk management

Financial risk factors
The Group's activities expose it to a variety of financial risks: currency risk, credit risk and interest rate risk. The Group has used financial derivates to hedge certain risk exposures. Risk management is carried out under policies approved by the Board of Directors.

Currency risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and EURO. To manage foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group has used forward contracts with external banks. As of 31.12.2007 the Group has no forward contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Liquidity risk
Product development activity was high in the group during 2007 and 2008. This, along with declining sales of Sci and StarFabric-based products, has led to a negative cash-flow from operations and investments in 2007 and 2008. This situation is expected to gradually reverse as development projects are completed and new product sales outweigh the decline in mature products. The primary funding source is the equity market, and there were completed two share issues in 2007 and one share issue in the parent company and one share issue in the subsidiary Numascale AS in 2008. After the stock exchange listing in 2006, the group's ability to self-finance is considered good, but a liquidity risk related to future funding needs prevails as long as the company continues to generate negative cash-flow from operations and investments.

Analysis of sensitivity of currency risk related to USD
A foreign currency sensitivity analysis indicates that a ten percent strengthening of NOK against USD at December 31th 2008 would have decreased the loss by NOK 0,7 million and increased the equity by NOK 1,6 million, excluding the effect on equity that follows directly from the decreased loss. A ten percent weakening of NOK against USD at December 31th 2008 would have had an equal, but opposite effect, on the above amounts, as long as all other variables remained constant. The sensitivity analysis is calculated based on the figures in USD from the 2008 accounts and assumes that all other variables remain constant. Calculations are based on amounts and foreign currency exchange rates as of December 31th 2008.

Note 4 - Changes in the Group's structure

Numascale AS
In June Dolphin establish a wholly owned subsidiary called Numascale AS. It transferred all assets, intellectual property, personnel and activities related to the development of NumaChip to this subsidiary. Numascale will complete the development of the NumaChip product and build a long-term business based on proprietary cache coherent technology. The subsidiary was created in order to facilitate independent funding for this business.

The Board is very positive on the market prospects for the Numascale business. It promises to revolutionize the development of “mainframe” class computer capabilities at a fraction of the cost and thereby opening up a large market of new customers. The early adopter target market is in high performance computing (HPC). This market has an appetite for new performance- oriented technology. The HPC market is growing strongly with growth levels of 35-45% per year in the target segments for NumaChip.

External investors have entered as shareholders in Numascale AS in 2008 through a share issue, this was done to strengthen the liquidity in the company. It is expected further share issues to external investors in Numascale AS in 2009. As of December 31th 2008 Dolphin owns 72,65% of the shares in Numascale AS.

StarGen Inc.
Dolphin Interconnect Solutions ASA acquired all assets and liabilities of the U.S. based company StarGen Inc. in 2007. This was a very important strategic acquisition. It entailed that the Group received access to hardware technology based on the PCI Express standard, which in combination with Dolphin's own developed SuperSockets Software will make the Group capable to deliver a range of competitive products and to enter new markets. StarGen Inc is situated in Marlborough in Massachusetts in the U.S. had 15 employees at the time of the acquisition. All activity, assets and liabilities of the former StarGen Inc is integrated in the subsidiary Dolphin Interconnect Solutions North America Inc (Dolphin Inc.) from February 16. 2007 and is included in the accounts of the Group. Total price for the acquisition amounted to NOK 36.244.691 whereof NOK 1.320.079 regards transaction costs. NOK 34.924.612 of the acquisition price were settled by issue of 2.530.769 shares in Dolphin Interconnect Solutions ASA to the former shareholders of StarGen Inc.. The equity of StarGen Inc. on the time for the acquisition was NOK 1.337.081. The excess value from the acquisition has been allocated to capitalized development cost.

Note 5 - List of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Country	Main operations	cost of shares	booked value	voting and ownership share
Dolphin Interconnect Solutions NA Inc	USA	Product sale/-deliveries	36 244 691	14 497 876	100 %
Numascale AS	Norway	Product sale/-deliveries	21 066 222	15 378 342	73 %
		Total	**57 310 913**	**29 876 218**	

Note 6 - Estimation uncertainty

In the process of applying the Group's accounting policies in according to IFRS, management has made several judgments and estimates. All estimates are assessed to the most probable outcome based on the management’s best knowledge. Changes in key assumptions may have significant effect and may cause material adjustments to the carrying amounts of assets and liabilities, equity and the net result.

The company's most important accounting estimates are the following items:
• Write-down/reversal of goodwill and other intangible fixed assets and of tangible fixed assets

The company test annually whether intangible assets has suffered any impairment in accordance with IAS 36. The impairment tests are shown in note 12.

The company's recognized intangible assets are assessed annually with regard to impairment or a reversal of previous impairments.

Note 7 - Exchange rates

The following exchange rates are used in the consolidated financial statements:

Currency	31.12.2008	31.12.2007	Average 2008	Average 2007	Average 2006
American dollar (USD)	6,9989	5,4110	5,6390	5,8600	6,4180

Note 8 - Information by segment

The economic reporting in the group is based on consolidated figures. It is done a specification of sales, based on type of product and based on allocation of the costumers.

Product segment:
The products are divided in the following groups:

- StarFabric products; include the chip level business acquired as part of the StarGen acquisition in early 2007. These products are sold predominately in the embedded market.
- DX Series products; are based on the PCI Express cluster technology acquired from StarGen and are sold predominantly in the enterprise market.
- D Series products; include those products based on Dolphin's cluster technology, which are sold into both the embedded and enterprise market.
- Other; include contractor and nonrecurring engineering, customizations work done for specific costumers.

	Group
	2008
StarFabric	7 940 824
DX-Series	524 339
D-Series	12 869 611
Other	3 495 594
Total	**24 830 368**

Geographical segment:
Sales are allocated based on the country in which the costumer is located. The sale mainly find place in the Euro zone, the U.S and Japan.

	Parent Company		Group		
Sales	**2008**	**2007**	**2008**	**2007**	**2006**
EURO zone	11 356 728	13 177 747	12 521 891	13 735 215	17 110 288
U.S.	3 104 459	322 642	9 159 227	6 901 775	13 340 258
Japan	0	0	1 824 126	5 808 424	0
Others	491 506	422 185	1 325 124	888 347	1 641 145
Total	**14 952 693**	**13 922 574**	**24 830 368**	**27 333 762**	**32 091 691**

Note 9 - Operating equipment

Parent Company	Operating equipment
Cost 1.1.2008	1 489 994
Additions	22 060
Disposals	0
Cost 31.12.2008	**1 512 054**
Accumulated depreciation 1.1.2008	1 211 921
Depreciation charge	140 402
Accumulated depreciation 31.12.2008	**1 352 323**
Net book amount 31.12.2008	**159 731**
Time for depreciation	3-5 years

Group	Operating equipment
Cost 1.1.2008	3 263 938
Foreign exchange changes	31 422
Additions	22 060
Disposals	0
Cost 31.12.2008	**3 317 420**
Accumulated depreciation 1.1.2008	2 338 244
Depreciation charge	782 449
Accumulated depreciation 31.12.2008	**3 120 693**
Net book amount 31.12.2008	**196 727**
Time for depreciation	3-5 years

Note 10 – Intangible assets

Parent Company	Develop. cost
Cost 1.1.2008	30 471 774
Additions	12 016 324
Disposals	-23 027 913
Cost 31.12.2008	**19 460 185**
Accumulated depreciation and write-off 1.1.2008	7 574 344
Depreciation charge	1 758 666
Write-off (see note 12)	13 281 926
Accumulated depreciation and write-off on disposals	-6 038 647
Accumulated depreciation and write-off 31.12.2008	**16 576 289**
Net book amount 31.12.2008	**2 883 896**

Group	Goodwill	Develop. cost	Total
Cost 1.1.2008	0	70 521 555	70 521 555
Foreign exchange changes	0	1 505 071	1 505 071
Additions	8 619 170	26 193 056	34 812 226
Disposals	0	0	0
Cost 31.12.2008	**8 619 170**	**98 219 682**	**106 838 852**
Accumulated depreciation and write-off 1.1.2008	0	7 574 344	7 574 344
Depreciation charge	0	5 945 158	5 945 158
Write-off (see note 12)	8 619 170	42 356 091	50 975 261
Accumulated depreciation and write-off 31.12.2008	**8 619 170**	**55 875 593**	**64 494 763**
Net book amount 31.12.2008	**0**	**42 344 089**	**42 344 089**

Capitalized development cost is depreciated through the useful life of the products. Expected income on capitalized development cost and booked value is tested for impairment at the time of the balance sheet, and written down if necessarily, see note 12.

Goodwill is tested for impairment at the time of the balance sheet, and written down if necessarily, see note 12.

Note 11 - Depreciation

Parent Company	2007	2008
Operating equipment (see note 9)	97 304	140 402
Capitalized development cost (see note 10)	1 226 220	1 758 666
Total	**1 323 524**	**1 899 068**

Group	2006	2007	2008
Operating equipment (see note 9)	38 411	1 189 477	782 449
Capitalized development cost (see note 10)	310 020	1 226 220	5 945 158
Total	**348 431**	**2 415 697**	**6 727 607**

Note 12 - Impairment testing of intangible assets

Recognized capitalized development cost in the Group as of 31.12.2008 amounts to MNOK 42.3 (MNOK 62.9 in 2007 and MNOK 8.9 in 2006). This relates to different product which is under development. Cash generating unit (CGU) for the capitalized development cost is based on expected cash flow for products alone or groups of products.
Projected cash flows have been determined on financial budget approved by the management of the Group. The projected cash flows are based on historical data for the CGU, but adjusted for a growth of the group’s market share in the total market.

The impairment test is carried out by the Groups accountants' department. The valuation was done in December 2008. The recoverable amount is set to the estimated value in use. The value in use is estimated to the net present value of the anticipated cash flow before tax, using a discount rate taking into account the duration of the cash flows and the expected risk. In the calculation of net cash flow is direct cost related to sales and marketing and a portion of other cost deducted. The discount rate used for calculating the net present value of the cash flow is 15,5 %. This is based on a risk free rate of 5,0 % and a risk premium of 10,5 %. The risk premium is based on uncertainty regarding the expected growth. It is used a five years horizon for the estimated cash-flow.

As of 31.12.2008 the value in use of the capitalized development cost was lower than the carrying amount, which leads to a write down of goodwill and capitalized development cost with the following amounts:

Goodwill	8 619 170
Development cost	31 679 952
Total write down	40 299 122

In addition there were made a write down of capitalized development cost regarding NumaChip in connection with the establishment of Numascale AS in June 2008. This write down amounted to NOK 10,676,139.

Total amounts of write down of intangible assets in 2008 amounts to NOK 50,975,261.

Analysis of sensitivity indicates that the value in use would have been NOK 11.4 million lower if the growth in sales turns out to be 5% lower than anticipated, and thereby lead to increased write down. If the growth in sales turns out to be 5% higher than anticipated the value in use would have been NOK 11.4 million higher, and lead to decreased write down.

The acquisition of StarGen Inc in 2007 resulted in a write-off in Dolphin Interconnect Solutions ASA capitalized development cost of the product Dolphin Express of NOK 6,038,104 as of 31.12.2006. The reason for the write-off is that StarGen Inc had developed a comparable technology. This technology is considered to be more advanced and with a far larger potential, and it is this technology which will be used in the future development.

Note 13 - Trade receivables and other short term receivables

Trade receivables
There has not been booked any provisions for loss on trade receivables in 2008, 2007 or 2006. Trade receivables as of 31.12.2008 and 31.12.2007 is booked to fair value, NOK 1.650.260 and NOK 1.582.096 in the Parent Company and NOK 2.771.020 and NOK 3.627.865 in the Group.
Booked losses on trade receivables was NOK 0 in 2008 and 2007 and NOK 68.967 in 2006 both in the Parent Company and in the Group.

Trade receivables as of December 31th 2008 had the following due dates:	Group	
	2008	**2007**
Due 0 - 30 days ago	2 495 667	2 610 421
Due 31 - 90 days ago	641 811	546 621
Due 91 - 365 days ago	64 530	470 823
Due more than one year ago	0	0
Total	**3 202 008**	**3 627 865**

	Parent Company		Group		
Other short term receivables	**2008**	**2007**	**2008**	**2007**	**2006**
VAT	266 321	291 138	365 203	291 138	1 204 128
EU grant to projects	0	0	0	0	1 459 570
Taxes	926 370	862 204	1 726 370	862 204	800 000
Intercompany	30 726 484	8 970 964	0	0	0
Pre paid costs and other	835 060	15 314	1 110 437	226 012	444 801
Total	**32 754 235**	**10 139 620**	**3 202 010**	**1 379 354**	**3 908 499**

Note 14 - Inventory

	Parent Company		Group		
	2008	**2007**	**2008**	**2007**	**2006**
Inventories	11 368 050	13 908 753	17 599 311	14 518 957	18 284 828
Write down of dead stock	-5 484 405	-5 484 405	-6 184 295	-5 484 405	-6 988 740
Booked value	**5 883 645**	**8 424 348**	**11 415 016**	**9 034 552**	**11 296 088**

Note 15 - Cash and cash equivalents

Parent Company:
As of 31.12.2008 NOK 297.730 of the total cash and cash equivalents is tied to withholding tax (NOK 651.428 in 2007). Liabilities to withholding tax as of 31.12.2008 were NOK 421.890 (NOK 642.915 in 2007).

Group:
As of 31.12.2008 NOK 525.322 of the total cash and cash equivalents is tied to withholding tax (NOK 651.428 in 2007). Liabilities to withholding tax as of 31.12.2008 were NOK 649.482 (NOK 642.915 in 2007).

Note 16 - Share capital and Shareholders

Total share capital of the Company as of 31.12.08 is NOK 4.534.222,20 divided on 22.671.111 shares with a nominal amount of NOK 0,20.

Major shareholders as of 31.12.2008	**Shares**	**ownership interest**
Selvaag Invest AS	1 948 480	8,59%
Zoncolan ASA	1 800 000	7,94%
Hektor AS	1 300 000	5,73%
Morgan Stanley & Co Inc	1 119 870	4,94%
Citigroup Global Markets Inc	1 100 586	4,85%
MP Pensjon	1 053 702	4,65%
Punte Holding AS	1 000 000	4,41%
Frans Engler A/S	900 000	3,97%
Sjøinvest AS	750 000	3,31%
Den Norske Krigsforsikring	749 881	3,31%
Orion Absolutt AS	670 670	2,96%
Reidar Egil Ellenes	533 500	2,35%
LGJ Invest AS	308 127	1,36%
Solvangen Marina AS	300 000	1,32%
Altea Property Development AS	279 598	1,23%
Rolf Nesheim	250 000	1,10%
Orion Securities ASA	232 820	1,03%
Drage Industries AS	200 000	0,88%
Sigurd Olsvold AS	193 225	0,85%
Timothy R. Miller	190 000	0,84%
Total 20 largest shareholders	14 880 459	65,64%

The Company had a total of 552 shareholders as of 31.12.2008.

Shares owned by board members:		
Ole Henrik Eide (Chairman of the Board)*	55 063	shares
Tor Alfheim (Boardmember)**	460 000	shares
Alf Rasmussen (Boardmember)	102 102	shares
Shares owned by leading employees:		
Timothy R. Miller (Managing Director)	190 000	shares
Alex Gundersen***	1 000	shares
Jon Snilsberg	4 500	shares
Hugo Kohman	27 992	shares

* The shares is owned through the holdingcompany Pelito AS.
** The shares is owned privatly and through the holdingcompany Salvangen Marina AS.
*** Alex Gundersen has resigned from the company in March 2009.

Note 17 - Equity

Parent Company	Share capital	Share premium fund	Other Equity	Total Equity
Equity 31.12.2007	3 374 222	101 051 836	11 163 230	115 589 288
Issue of shares	1 160 000	12 180 000	0	13 340 000
Cost of issue of shares	0	-1 112 558	0	-1 112 558
Cost of options to employees	0	0	578 980	578 980
Net profit	0	0	-51 898 772	-51 898 772
Equity 31.12.2008	**4 534 222**	**112 119 278**	**-40 156 562**	**76 496 938**

Group	
Equity 31.12.2007	109 893 223
Issue of shares	13 340 000
Cost of issue of shares	-1 112 558
Issue of shares in subsidiary	5 162 024
Cost of options to employees	548 980
Currency translation differences	-3 731 767
Net profit	-69 273 530
Equity 31.12.2008	**54 826 372**

Note 18 - Other current liabilities

	Parent Company		Group		
Other current liabilities	**2008**	**2007**	**2008**	**2007**	**2006**
Accrued vacation salary	1 019 941	1 575 421	1 284 567	1 575 421	1 356 935
Accrued empl. contr on vac. salary	133 124	211 447	170 436	211 447	180 640
Accrued salary	263 866	92 200	1 318 645	92 200	53 972
Other short term debt	83 576	0	229 456	54 110	74 240
Total	**1 500 507**	**1 879 068**	**3 003 104**	**1 933 178**	**1 665 787**

Note 19 - Other long-term liabilities

Parent Company and Group:
Other long-term liabilities as of 31.12.08 consist of a loan from Etnus Inc in the U.S in US dollar. Total debt as of 31.12.2008 was USD 83.617 (USD 103.750 in 2007). The loan has an annual interest of 3 %. There will be two repayments each year until the loan is fully repaid in 2010.

Note 20 - Taxes

Parent Company:

Income taxes	**2008**	**2007**
Tax payable	0	0
Changes in deferred tax	9 710 424	0
Total income taxes	9 710 424	0

Reconciliation from nominal to actual tax rate	**2008**	**2007**
Profit before taxes	-42 188 348	-20 618 781
Estimated income tax at nominal tax rate (28%)	-11 812 737	-5 773 259
Tax effect on following items:		
Change in non-capitalized deferred tax assets	14 238 838	5 746 211
Skattefunn	-259 384	-241 417
Cost of issue of shares	-311 516	-360 424
Cost of options	162 114	609 033
Write down of shares	7 681 715	0
Non-deductible costs	11 394	19 856
Total income taxes	9 710 424	0
Effective tax rate	-23,0 %	0,0 %

Specification of tax effect of temporarily differences and loss to be carry forward:

	2008		**2007**	
	Asset	Liability	Asset	Liability
Operating equipment	65 011	0	0	5 578 091
Profit- and loss account	0	1 667 507	0	2 084 383
Inventory	1 535 633	0	1 535 633	0
Loss to be carried forward	20 051 912	0	21 583 476	0
Total	21 652 556	1 667 507	23 119 109	7 662 474
Non-capitalized deferred tax assets	19 985 049		5 746 211	
Net deferred income tax assets	**0**		**9 710 424**	

The Parent Company had loss to be carry forward of NOK 71.613.972 as of 31.12.2008.

Group:

Income taxes	**2008**	**2007**	**2006**
Tax payable	27 883	4 809	8 056
Changes in deferred tax	3 949 179	0	-3 997 849
Total income taxes	3 977 062	4 809	-3 989 793

Reconciliation from nominal to actual tax rate	**2008**	**2007**	**2006**
Profit before taxes	-65 296 468	-26 218 053	-7 865 045
Estimated income tax at nominal tax rate (28%)	-18 283 011	-7 341 055	-2 202 213
Tax effect on following items:			
Change in non-capitalized deferred tax assets	18 359 556	7 425 993	0
Skattefunn	-39 662	-241 417	-224 000
Different tax rate	-483 384	-111 985	-25 824
Cost of issue of shares	-669 923	-360 424	-1 562 782
Cost of options	162 114	609 033	0
Effect of aquisition of StarGen	4 867 779	0	0
Non-deductible costs	63 593	24 664	25 026
Total income taxes	3 977 062	4 809	-3 989 793
Effective tax rate	-6,1 %	0,0 %	50,7 %

Specification of tax effect of temporarily differences and loss to be carry forward:

	2008		**2007**	
	Asset	Liability	Asset	Liability
Operating equipment	0	9 991 315	0	5 578 091
Profit- and loss account	0	1 667 507	0	2 084 383
Inventory	1 535 633	0	1 535 633	0
Loss to be carried forward	33 050 812	0	23 263 258	0
Total	34 586 445	11 658 822	24 798 891	7 662 474
Non-capitalized deferred tax assets	25 785 549		7 425 993	
Net deferred income tax assets/liability	**0**	**2 857 926**	**9 710 424**	**0**

The Group had loss to be carry forward of NOK 117.243.444 as of 31.12.2008. This do not include loss to be carry forward from StarGen Inc in the time before the acquisition in 2007.

Note 21 - Pension

Dolphin Interconnect Solutions ASA changed from a defined benefit pension plan to a defined contribution plan in 2006. The change resulted in a cost reduction of MNOK 1.8 because of a reversal of the recognized pension obligation.
Now the employees in Dolphin Interconnect Solutions ASA and the subsidiaries has a defined contribution plan. As of 31.12.2008 there are 11 employees included in the pension plan in the parent company and totally 29 employees in the pension plan in the group. The pension plan is administrated by an insurance company. Total costs to the pensions plans amounts to:

Parent company	**2008**	**2007**	
Paid contribution	728 017	373 567	
Group	**2008**	**2007**	**2006**
Paid contribution	1 183 928	650 341	791 123

Note 22 - Other income

	Parent Company		**Group**		
Other income	**2008**	**2007**	**2008**	**2007**	**2006**
Contribution to projects from EU	0	0	0	0	340 040
Sale of patent	0	0	8 155 320	0	3 506 291
Other	0	0	0	0	103 510
Total	**0**	**0**	**8 155 320**	**0**	**3 949 841**

Note 23 - Payroll expenses

	Parent Company		**Group**		
	2008	**2007**	**2008**	**2007**	**2006**
Salaries	7 350 792	10 978 180	19 261 134	17 800 328	9 736 580
Employers' contribution	1 590 009	2 253 655	2 772 146	3 072 086	1 953 787
Pension cost, see note 21	728 017	373 567	1 183 928	650 341	-1 055 071
Options to employees	578 980	2 175 118	578 980	2 175 118	0
Other payroll cost	1 159 622	933 057	2 076 888	1 416 884	1 249 199
Total	**11 407 420**	**16 713 577**	**25 873 076**	**25 114 757**	**11 884 495**

The Parent Company has in 2008 employed 19,2 man-labor year (25,2 man-labor year in 2007), and the Group has in 2008 employed 40,2 man-labor year (37,5 man-labor year in 2007 and 23,8 man-labor year in 2006).

Note 24 - Future lease obligations

The Parent Company and the Group has future lease obligation related to office rental and rental of office equipment. The rent will be index regulated each year.

Future accumulated minimum payments regarding the lease obligations:

	Parent Company		Group		
	2008	**2007**	**2008**	**2007**	**2006**
Mature within one year	1 616 928	1 294 000	2 725 554	2 142 936	823 250
Mature between one and five years	6 467 711	5 176 000	7 853 493	6 693 454	6 360 000
Mature later than 5 years	1 616 928	2 588 000	1 616 928	2 588 000	3 120 000
Total	**9 701 567**	**9 058 000**	**12 195 975**	**11 424 390**	**10 303 250**

Note 25 - Fees and remuneration

Remuneration to leading personel		Salary and Other Benefits
Director of the Board		125 000
Other members of the Board		240 000
Timothy Russel Miller	CEO	1 437 945
Alex Gundersen*	CFO	824 995
Hugo Kohmann	VP Software	866 944
Jon G. Snilsberg	VP Marketing	1 005 950
Lynne Brocco	COO	952 991
John Longmire	VP Sales	1 285 108

* Alex Gundersen has resigned from the company in March 2009.

Agreement on servance salary to the Managing Director
The Managing Director has a six months' salary servance in case of termination of the contract.

Loan to managing director, members of the board and shareholders
There are no loans to the managing director, members of the board or shareholders as of 31.12.2008.

Auditor
Booked auditors fee in 2008 amount to (exclusive IVA):

	Parent Company	Group
Mandatory audits	411 800	411 800
Other assurance services	0	0
Tax consultancy	0	0
Services other than auditing	0	0
Total fees	411 800	411 800

Main principles of remuneration of the management
These principles describe guidelines for remuneration to the management for the accounting year 2008 and the main principles that will be followed in 2009.

The board has followed a constrained remuneration policy in 2008. In the opinion of the board, remuneration to management in Dolphin is significantly below the level found in comparable companies. Staff has increased also in 2008, and the company has experienced significant competition on salary in the hiring process.

In order to recruit and maintain management personnel, it is critical to offer a competitive remuneration package. This means that remuneration should be at or about the same level as comparable companies. The remuneration should be so that it motivates value creation. Bonus payments should be tied to collective or individual targets and should not total above 30% of fixed salary. Total remuneration should not be of such size or nature that it may hurt the company's reputation.

The main part of the remuneration to management should consist of fixed salary. However, additional remuneration in the form of bonus, pension, insurance, company car, telephone and broad band connection may be offered if found appropriate.

Share based compensation
Dolphin now has three different option programs, one for former StarGen employees and two for the employees in the group. See note 26 for a closer description of the option programs.

The board is of the opinion that employee ownership in the company is positive, and that implementation of a share based remuneration program will strengthen the company's ability to attract and retain key personnel. Also, in the opinion of the board, management in general may have a key influence on shareholder value creation and it is considered positive that it exist coinsiding economic incitements between management and existing and potential investors. Further, the board is of the opinion that any share based remuneration program should be tied to performance criteria whenever this is possible and practical.

The board is monitoring the development of the incentive program continuous, and has changed one of the option programs in 2008 where the exercise price was NOK 17.50 per share, to two new programs with exercise price and NOK 2.47 and NOK 1.12 per share. This was done to do the program more attractive for the employees.

For the period of 2008, the Board may propose to a future shareholders meeting to adjust the existing option programs and or propose additional options. Any such proposal will be based on the following guidelines:

- All employees shall be eligible to receive options, as long as this is practical to implement.
- Granted options shall vest over time.
- Vesting and exercise of options shall be dependent on performance criteria as long as practical.
- The total number of outstandable vestable options, including the options and warrants already issued, shall not exceed 15% of outstanding shares in Dolphin.
- The exercise price shall at least be equal to the market value of the shares at the time of grant. The market value shall be determined by the trading price on the Oslo Stock Exchange.
- Maximum duration should be 6 years.
- The board will settle the remaining conditions within the scope of these guidelines.

Note 26 - Options

Existing options	2008	2007
Options as of 1.1	1 102 585	0
Issued during the year	1 130 000	1 226 000
Expired during the year	-727 105	-123 415
Exercised during the year	0	0
Total options as of 31.12	**1 505 480**	**1 102 585**
Whereof accrued	512 720	0

The options relates to three different programs:

1) Employees in former StarGen Inc received a total of 900,000 warrants with an exercise price of NOK 13.90 per share. 512,720 of the warrants is accrued as of 31.12.2008. The warrants will be accrued in three different parts, and the subscription of the first part could take place 16.02.2008, the next part could be subscribed 31.12.2008 and the last part cannot be subscribed before 30.06.2009. The warrants may not be subscribed later than 16.02.2012. None of the warrants have been exercised as of 31.12.2008.
2) A large number of the employees have a option agreement of total 840,000 options with an exercise price of NOK 2.47 per share. None of the options is accrued as of 31.12.2008. The options may be subscribed in the period between 01.01 and 01.03 each year when they are accrued, but not later than July 2014.
3) 3) A large number of the employees have a option agreement of total 290,000 options with an exercise price of NOK 1.12 per share. None of the options is accrued as of 31.12.2008. The options may be subscribed in the period between 01.01 and 01.03 each year when they are accrued, but not later than October 2014.

Fair value of the issued options in the period was calculated using the Black-Scholes option pricing model. The most important input data at the time of issuing the options agreement were:
* The last known price of the share on Oslo Stock Exchange of NOK 13.90 for program 1, NOK 2.47 for program 2 and NOK 1.12 for program 3
* Risk free interest of 4.63%, 5.27% and 4.32% based on the interest of Norwegian state obligations with corresponding vesting time
* Vesting time of the options (se above).
* Volatility of 40%, 55.7% and 57.2%, based on data of the share from Oslo Stock Exchange.
* Estimate of total subscription of the options varies between 60 and 100% depending on time to accrual.

Fair value of options to employees is booked as a payroll cost in the earning period of the options. Booked cost of options to employees in 2008 amounts to NOK 578,980 (NOK 2,175,118 in 2007 and NOK 0 in 2006).

Note 27 - Net profit per share

Net profit per share is calculated by dividing the net profit before prospective minority interests on the average number of issued shares during the year.

	2008	2007	2006
Net profit	-67 851 313	-26 222 862	-3 875 253
Average number of issued shares	19 445 358	11 200 638	8 093 437
Net profit per share	**-3,49**	**-2,34**	**-0,48**

Fully diluted net profit per share is calculated by dividing the net profit before prospective minority interests on the average number of issued shares and issued options during the year.

	2008	2007	2006
Net profit	-67 851 313	-26 222 862	-3 875 253
Average number of issued shares and issued options	20 777 861	12 058 328	8 093 437
Fully diluted net profit per share	**-3,27**	**-2,17**	**-0,48**

Note 28 - Related-party transactions

The Parent Company has not paid commission and service fees to its subsidiary in the US in 2008 (NOK 482,549 in 2007). As of 31.12.2008 the Parent Company has a receivable on its subsidiary in the U.S. of NOK 29,872,509, the amount is included in other short term receivables for the Parent Company (NOK 8,970,965 in 2007). It is paid NOK 1,018,760 in interest on the receivable in 2008 (NOK 199,098 in 2007), the amount is included in interest income for the Parent Company.

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To the Annual Shareholders' Meeting of
Dolphin Interconnect Solutions ASA

AUDITOR'S REPORT FOR 2008

We have audited the annual financial statements of the Dolphin Interconnect Solutions ASA as of 31 December 2008, showing a loss of NOK 51.898.772 for the parent company and a loss of NOK 69.273.530 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the parent company have been prepared in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway. International Financial Reporting Standards as adopted by the EU have been applied on the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the mother company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of December 31, 2008, and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice in Norway
- the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of December 31, 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with The International Financial Reporting Standards
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, 30th of April 2009
BDO Noraudit Oslo DA

Trond-Morten Lindberg
State Authorized Public Accountant

This translation from Norwegian has been prepared for information purposes only.