

INTERIM REPORT 1<sup>ST</sup> QUARTER 2006  
MAY 12<sup>TH</sup>, 2006

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## Quarterly Highlights

All figures NOK

- Operating revenues reached 10.5 million in the 1st quarter 2006, an increase of 37% from the 1st quarter 2005
- EBITDA was 2.3 million as compared to –0.2 million in the 1st quarter 2005
- Net profit ended at 1.6 million compared to –0.3 million in the 1st quarter 2005
- Continued strong sales to the largest customers for embedded solutions
- Progress in negotiating expansion of major OEM contracts
- First MySQL Cluster installation with SuperSockets and Dolphin cards on line in the UK
- All major products ready for shipping in RoHS compliant versions
- Two large clusters in operation with Dolphin software and MPI-2 from NICEVT at the University of Zürich
- IPO of 50 million in April was oversubscribed, first day of trading on the Oslo Stock Exchange on April 20th



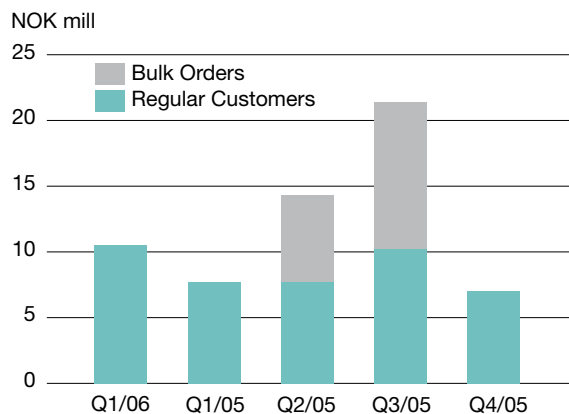


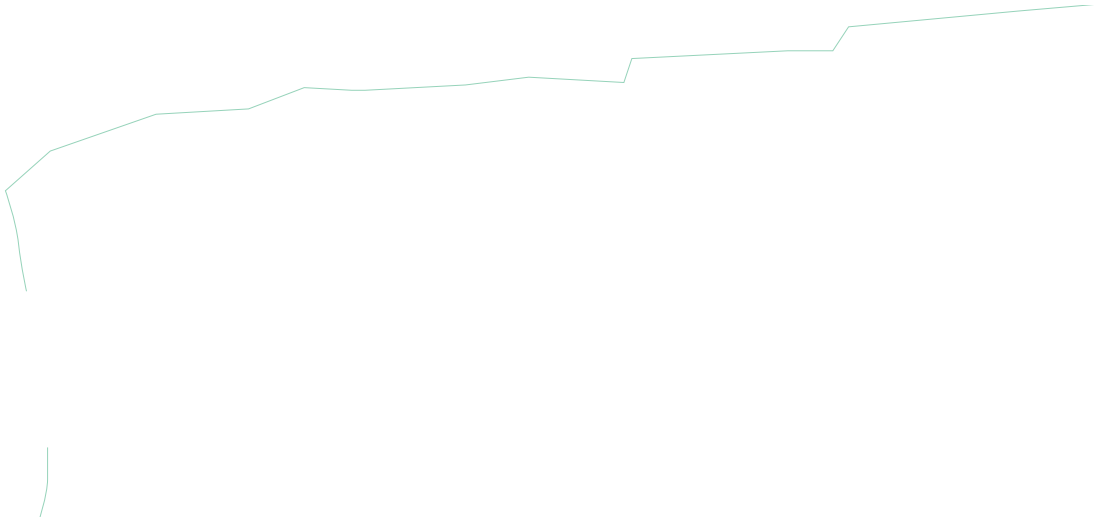
### Summary of first quarter results

(Comparable figures for 1st quarter 2005 in parenthesis)

Total operating revenue reached 10.5 million in the quarter, an increase of 37% from the corresponding figure of 7.7 million in the first quarter last year. The increase reflects good underlying sales growth and transition from test volumes to commercial volumes for a major account in the medical imaging industry. EBITDA margin was at 21% in the quarter. Adjusted for a net gain of 1.8 million due to pension plan transition (see below), the EBITDA margin was 4%, as compared to a loss of 0.2 million in the first quarter 2005.

### Quarterly Revenue





Operating profit before tax ended at 2.2 million (–0.3 million). Net profit ended at 1.6 million or NOK 0.26 per share (NOK –0.04). The tax rate for the quarter is estimated to 28% on a proforma basis. The company are however not in a taxable position currently, due to taxable loss to carry forward of 29.6 million at the beginning of the year.

Effective as of March 31st, the company has terminated its former pension plan that was based on defined benefit plan and implemented a pension plan based on defined contribution. Under the new pension plan the company pays fixed contributions into a separate entity. The transition to the new pension plan has resulted in a net reduction of booked payroll expenses in the first quarter 2006 of 1.8 million.

### Equity and balance sheet items

Total equity in the company was 36.9 million (15.7 million), corresponding to an increase in equity ratio from 72% to 86% in the same period. The increase is mainly explained by solid pre-tax profit in the period and the capitalization of 5.7 million in deferred income taxes in the fourth quarter 2005.

Cash and cash equivalents amounted to 11.3 million (3 million). During the first quarter 2006 there was a net reduction in cash and equivalents of 7.7 million. The outflow is mainly explained by an increase in receivables, a reduction in trade and other short-term payables and a relatively high activity within product development. In total, development cost of 2.5 million was capitalized in the first quarter.



## Financing and shareholders

Prior to the listing on Oslo Stock Exchange on April 20th, Dolphin successfully completed an IPO of 2,850,000 new shares at 17.50 per share. The issue was oversubscribed. A total of 160 subscribers participated, increasing the total number of shareholders in the company from 215 to 337. A table of the 20 largest shareholders in the company as of April 24th is included below. Total cost of the stock issue and listing is expected to total less than 6 million, of which the major part will be expensed against proceeds.

## Financial calendar 2006

Dolphin will announce quarterly results for 2006 on the following dates:

2nd quarter:	August 15th 2006
3rd quarter:	September 29th 2006
4th quarter:	February 14th 2007

Shareholder	Number of shares	%
1. Selvaag Invest	1.023.783	11.44
2. Rowan Investments Ltd	877.189	9.80
3. Den Norske Krigsforsikring for Skib	749.881	8.38
4. Danske Fund Norge Vekst	432.048	4.83
5. SIS Segaintersettle AG	330.975	3.70
6. Granada Forvaltning AS	325.082	3.63
7. MP Pensjon	228.702	2.55
8. KLP Forsikring Aksjer	203.367	2.27
9. Rosehip Investment Limited	203.317	2.27
10. Fixdal, Jan Bjarne	135.930	1.52
11. Rasmussen, Alf	132.102	1.48
12. Legio AS	127.598	1.43
13. Granada Management AS	126.044	1.41
14. Sundt AS	116.181	1.30
15. Credit Suisse Securities	111.824	1.25
16. Hvistendal, Yngvar	102.180	1.14
17. Eide, Odd	92.461	1.03
18. Spar Investor Norge	90.497	1.01
19. Sigurd Olsvold AS	87.259	0.97
20. Jasto AS	84.055	0.94
Total 20 largest shareholders	5.580.475	62.34
Other shareholders	3.371.866	37.66
<b>Total outstanding shares</b>	<b>8.952.341</b>	<b>100.00</b>



## Accounting principles

Dolphin Interconnect Solutions AS follows the principles of IFRS in this report. The figures are reported in accordance with the regulations for interim reporting in IAS 34. For further reference on accounting principles, see the annual report for 2005.

## Markets and customers

Dolphin SuperSockets is a newly launched software product allowing seamless implementation of Dolphin hardware products in target markets like the database server segment. The sales and marketing activities for SuperSockets™ was increased in the 1st quarter, and the first successful beta sites reported their results. A joint press release with Capgemini and MySQL on a major UK ticketing system was published. Capgemini reported good performance gain and favorable system cost for the installation. The system has been live for a couple of months now.

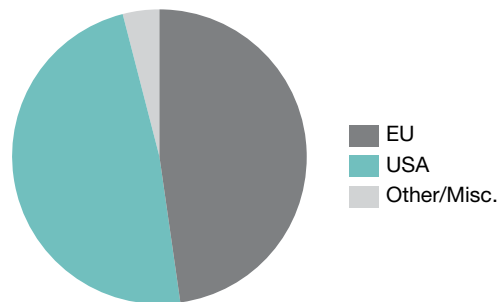
The University of Zürich has two large HPC clusters equipped with Dolphin technology. The clusters are used for scientific calculations within Physics and Chemistry research. This is the first large cluster installation that uses Dolphin's driver software and the Interconnect Resource Manager, a software module from Dolphin for operation and management of the cluster interconnect. MPI and the extension MPI-2 is the dominant SW



system for running parallel applications on HPC clusters. The University of Zürich also uses a native MPI-2 implementation from the Russian company NICEVT, a long time partner of Dolphin. With their MPI-2 and the Dolphin Interconnect Resource Manager Dolphin can offer a relevant Open Source software suit for the HPC clustering market. Dolphin has also ported NICEVT's MPI-2 to Windows.

Dolphin's positive trend in the deliveries to its major OEM customers continued. The three largest OEMs now represents to thirds of Dolphin's revenue. Dolphin is working actively to expand and extend the deliveries to the major OEMs and this program had significant progress in this quarter. Geographically, customers are fairly evenly distributed between the US and Europe, se graphic below.

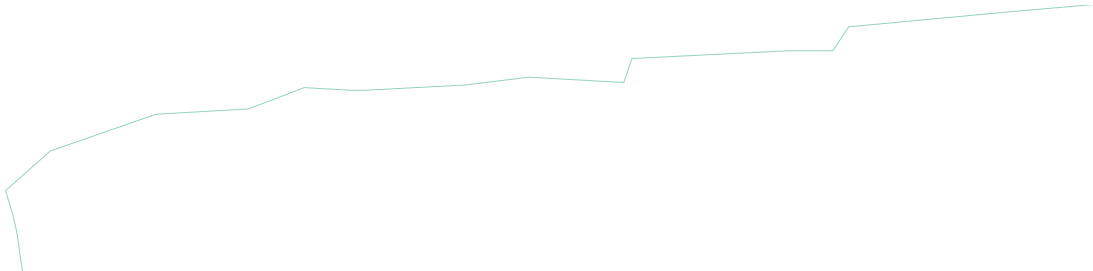
### IQ 2006 Geographic distribution of sales







	Q1 / 06	Q1 / 05	Full year 2005
<b>OPERATING REVENUES</b>			
Sales	10 320 163	7 530 964	49 426 396
Other operating revenue	217 287	168 097	996 600
<b>TOTAL OPERATING REVENUE</b>	<b>10 537 450</b>	<b>7 699 061</b>	<b>50 422 996</b>
<b>OPERATING EXPENSES</b>			
Cost of goods sold	4 723 203	3 388 132	18 246 211
Payroll expenses	979 572	2 239 067	9 321 430
Other operating expenses	2 570 414	2 263 230	10 982 780
<b>TOTAL OPERATING EXPENSES</b>	<b>8 273 189</b>	<b>7 890 429</b>	<b>38 550 421</b>
<b>EBITDA</b>	<b>2 264 261</b>	<b>-191 368</b>	<b>11 872 575</b>
Depreciation	80 390	2 714	10 902
<b>OPERATING PROFIT (EBIT)</b>	<b>2 183 871</b>	<b>-194 082</b>	<b>11 861 673</b>
<b>NET FINANCIAL PROFIT</b>	<b>38 405</b>	<b>-75 006</b>	<b>1 731 062</b>
<b>PROFIT BEFORE TAXES</b>	<b>2 222 276</b>	<b>-269 088</b>	<b>13 592 735</b>
Income taxes	644 014	2 235	-5 703 405
<b>NET PROFIT</b>	<b>1 578 262</b>	<b>-271 324</b>	<b>19 296 140</b>
Avg.no. of shares outstanding	6 102 341	6 102 341	6 102 341
Net profit per share	0,26	-0,04	3,16



ASSETS	31.03.2006	31.03.2005	31.12.2005
<b>NON-CURRENT ASSETS</b>			
Capitalized development cost	9 844 893	3 681 621	7 391 478
Deferred income tax assets	5 068 561	0	5 712 575
Operating equipment	48 769	53 266	29 869
Other long term receivables	2 304	2 215	2 369
<b>TOTAL NON-CURRENT ASSETS</b>	<b>14 964 527</b>	<b>3 737 102</b>	<b>13 136 291</b>
<b>CURRENT ASSETS</b>			
Inventories	7 408 535	6 323 637	7 516 453
Trade receivables	4 099 544	5 450 144	2 435 399
Other short term receivables	5 317 394	3 463 385	3 757 437
Cash and cash equivalents	11 284 930	2 990 080	19 015 579
<b>TOTAL CURRENT ASSETS</b>	<b>28 110 402</b>	<b>18 227 246</b>	<b>32 724 868</b>
<b>TOTAL ASSETS</b>	<b>43 074 929</b>	<b>21 964 348</b>	<b>45 861 159</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Subscribed equity</b>			
Share capital	1 220 468	610 234	610 234
Share premium fund	318 317	928 551	928 551
<b>Total subscribed equity</b>	<b>1 538 785</b>	<b>1 538 785</b>	<b>1 538 785</b>
<b>Retained equity</b>			
Retained earnings	35 337 788	14 178 562	33 763 147
<b>Total retained equity</b>	<b>35 337 788</b>	<b>14 178 562</b>	<b>33 763 147</b>
<b>TOTAL EQUITY</b>	<b>36 876 573</b>	<b>15 717 347</b>	<b>35 301 932</b>
<b>NON CURRENT LIABILITIES</b>			
Other long-term liabilities	1 192 258	1 310 482	1 227 380
Pension obligations	0	1 597 760	1 846 194
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>1 192 258</b>	<b>2 908 242</b>	<b>3 073 574</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	2 019 025	1 370 925	4 106 073
Public duties payable	510 983	418 993	726 453
Other current liabilities	2 476 090	1 548 843	2 653 127
<b>TOTAL CURRENT LIABILITIES</b>	<b>5 006 098</b>	<b>3 338 760</b>	<b>7 485 653</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>43 074 929</b>	<b>21 964 348</b>	<b>45 861 159</b>

Dolphin Interconnect Solutions Group  
Cash Flow Statement / Change in Equity



CASH FLOW STATEMENT	Q1 / 06	Q1 / 05	Full year 2005
<b>Cash Flow from Operations</b>			
Operating result before tax	2 222 276	-269 088	13 592 735
Depreciation	80 390	2 714	10 902
Changes in inventories	107 918	1 063 375	-129 441
Changes in receivables	-1 664 145	490 500	3 505 245
Changes in trade payables	-2 087 048	-1 467 790	1 267 358
Changes in other current assets/debt items	-3 794 541	-977 324	195 674
<b>Net Cash Flow from Operations</b>	<b>-5 135 150</b>	<b>-1 157 614</b>	<b>18 442 473</b>
<b>Cash Flow from Investments</b>			
Purchase of operating equipment	-21 785	0	0
Purchase of intangible assets	-2 530 920	-970 158	-4 680 015
<b>Net Cash Flow from Investments</b>	<b>-2 552 705</b>	<b>-970 158</b>	<b>-4 680 015</b>
<b>Cash Flow from Financial Activities</b>			
Payment of long term liabilities	-35 122	-204 466	-83 102
<b>Net Cash Flow from Financial Activities</b>	<b>-35 122</b>	<b>-204 466</b>	<b>-83 102</b>
Net change in cash and equivalents	-7 722 977	-2 332 238	13 679 356
Foreign currency effect on cash	-7 672	43 502	57 407
Opening balance, cash and equivalents	19 015 579	5 278 816	5 278 816
<b>Closin balance, cash and equivalents</b>	<b>11 284 930</b>	<b>2 990 080</b>	<b>19 015 579</b>
<b>CHANGE IN EQUITY</b>			
Equity opening balance	35 301 932	15 964 833	15 964 833
Currency converting effect	-3 621	23 837	40 959
Net profit	1 578 262	-271 324	19 296 140
<b>Equity closing balance</b>	<b>36 876 573</b>	<b>15 717 346</b>	<b>35 301 932</b>



Dolphin Interconnect Solutions ASA  
Olaf Helsetsvei 6  
PO.Box 150 Oppsal  
NO-0619 Oslo