KAUPTHING BANK

REGISTRATION DOCUMENT

JULY 2008

REGISTRATION DOCUMENT

CCP HF.
July 2008

CONTENTS

1. RISK FACTORS

CCP hf. ("the Issuer") has identified the risk factors described below as potentially affecting its ability to fulfil its obligations. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in its debt instruments. It is, however, emphasized that the inability of the Issuer to pay the principal or other amounts on or in connection with any such instruments, may occur for other reasons which may not be identified as significant risks by the Issuer, based on information currently available to it, or which it may not currently be able to anticipate.

Prior to making any investment decision, prospective investors and their financial and legal advisers should carefully consider all of the information in this document, the relevant Securities Note and all documents on display as listed in Chapter 6 of this Prospectus. In particular, the risks and uncertainties described below should be considered carefully. The matters described below, among other factors, should be carefully considered by any prospective investor.

This document contains forward-looking statements that involve inherent risks and uncertainties. Actual results may differ significantly from any projections made in such forward-looking statements.

Risk relating to the Issuer

Below is a description of the risks relating to the Issuer. The list of risk factors contains the risk factors that may affect the Issuer's ability to fulfil its obligations under the debt securities.

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with CCP or otherwise the failure to perform as agreed. Credit risk is found in all activities where profitability depends on the performance of a counterparty (risk to each party of a contract that the counterparty will not meet its contractual obligations), issuer, lessee or borrower. CCP will be exposed to a credit risk that arises any time the Company's funds are committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Market risk

Market risk is the current or prospective risk to earnings and capital arising from adverse movements in bond, security, and commodity prices and foreign exchange rates, amongst other fluctuations.

Interest rate risk

Interest rate risk arises from the Company's exposure, due to its financial obligations, to adverse movements in interest rates. As the Company is a net borrower in the normal course of its business, it is exposed to adverse changes in market interest rates, such as the Reykjavík Interbank Offered Rate (REIBOR) and London Interbank Offered Rate (LIBOR).

Currency risk

CCP's reporting currency is the US dollar. CCP trades currencies for its own account and maintains open currency positions in currencies other than the US dollar. The Company's revenues are almost exclusively in US dollars and euros, while its costs are partially incurred in Icelandic króna and other currencies. CCP from time to time engages in currency hedging through forward contracts and derivatives. Since there can be no assurance that exchange rate fluctuations can be mitigated through hedging, such fluctuations in exchange rates may adversely affect CCP's operating results and capital.

Funding risk

Funding risk is the current or prospective risk to earnings and capital arising from the Company's inability to meet its liabilities when they come due, without incurring unacceptable losses. Funding risk arises from the inability to manage unexpected decreases or changes in funding sources.,

Financial covenants

CCP is contractually bound to honour various financing agreements. Should CCP become unable to or for some reason cease to fulfil the respective covenants, the lenders and financiers may become entitled to rescind the agreements, which might have adverse financial consequences for the Company.

Legal risk

CCP is a limited liability company which operates in accordance with the Icelandic Act on Public Limited Companies No. 2/1995. The Icelandic membership of the European Economic Area establishes legal and regulatory conditions for the Company comparable to those enjoyed by businesses in the European Union countries.

The Company operates fully owned subsidiaries in the United Kingdom and in the United States. It also operates a representative office in Shanghai, China. The subsidiaries are subject to the laws and regulations of their respective countries.

The main legislation affecting the Company are the Act on the Sale of Goods No. 50/2000 (lög um lausafjárkaup), the Trade Marks Act No. 45/1997 (vörumerkjalög), the Copyright Act No. 73/1972 (höfundalög), the Competition Act No. 44/2005 (Samkeppnislög), the Act on Consumer Purchase of Goods No. 48/2003 (lög um neytendakaup), all respective tax regulation and various legislation related to employees rights. Changes to the applicable company laws, or if the Company becomes subject to different laws, might have an impact on how it continues to conduct its business.

Protection of intellectual property

The protection of the Company's software products, branding, design and trademarks is an important factor in the operation of the Company and it may have to defend its rights in this respect, e.g. with regard to the misuse of the Company's intellectual property. The Company's operating results may be adversely affected if the Company's trademark or other rights are either challenged or infringed.

Litigation

Litigation is not a normal part of the Company's business and the Company is not currently involved in any litigation or arbitration proceedings that may have significant effect on the Issuer's financial position or profitability. However, there can be no guarantee that such litigation will not arise.

Tax

CCP could be affected by changes in tax legislation in any of the countries that influence its financial results. CCP is not aware of any ongoing tax inspection concerning itself or its subsidiaries which may have a material impact on CCP's financials. An investigation of CCP's tax filings, as for any other Company, may be initiated at a later stage in accordance with relevant regulations and affect the Company's prospects. CCP and the tax authorities may potentially have different opinions on how various financial arrangements within the company should be treated from a tax perspective. CCP is of the opinion that it is in compliance with the relevant tax regulations and practices and it does not presently expect claims from tax authorities relating to its treatment of income or any other financial issues. However, no guarantee can be made that such claims will not arise.

Operational risk

Operational risk is the risk of direct loss, indirect loss, or damage as a result of erosion of goodwill, systems failure, inadequate or failed internal processes, or from external events.

Managing growth

CCP intends to continue to grow its business through further expansion, through further penetration of markets in which it currently operates and via acquisitions. The expansion of CCP's operations may require significant investment of funds and management resources, and incur increased operating costs. Further, such growth will depend, inter alia, on the continued development and integration of information systems, the continued training of management and other personnel, maintaining adequate employee supervision, and the delivery of consistent client product and service messages. The failure of the Company to effectively manage these issues, while maintaining an adequate focus on its current operations, could have a materially adverse effect on its business, financial condition, and financial results.

Key employees

The Company's performance depends on its ability to attract, motivate, and retain highly competent managers and specialists. There can be no guarantee that the Company will be successful in attracting and retaining such people in the future.

Reputational risk

Reputational risk is the risk that CCP will suffer loss of revenue due to negative publicity. Such negative publicity may result from operational decisions, or lack thereof, or from events arising within CCP's online virtual worlds. In this respect, it should be noted that the Company's main source of revenue is subscription fees, collected from a large number of private individuals. These individuals form a user community that is highly demanding and interactive. Damage to the Company's reputation may cause these individuals to terminate their subscriptions in large numbers. In this case, future earnings would be adversely affected.

Information systems risk

The Company relies on a number of internal information systems for its ongoing operations, including billing, financial accounting, project tracking, and other functions. These systems are accessed by the Company's offices over global telecommunications networks and the Internet. Any failure of internal systems or the network connecting the Company's offices, whether caused by internal or external events, would adversely affect the company's ability to generate revenue.

Hosting risk

The Company's main product, EVE Online, is operated from a server cluster that is hosted in a single data center location in London, UK. In the case of a natural disaster, terrorist attack or other major disruption in the hosting facility, the operation of EVE Online would be suspended until a new server cluster could be made operational. Such an event would cause significant revenue loss, both while the suspension lasts and permanently to an extent depending on its duration and severity.

2. PERSONS RESPONSIBLE

CCP hf., in its capacity as the Issuer, Icelandic ID-No.450697-3469, registered office at Grandagarður 8, 101 Reykjavík, Iceland, hereby declares that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavik, 8 July 2008
On behalf of the Issuer

Vilhjálmur Þorsteinsson,
Chairman of the Board

Hilmar Veigar Pétursson
CEO

3. MANAGER

The Manager, Kaupthing Bank hf – Capital Markets, Icelandic ID-No. 560882-0419 registered office at Borgartun 19, 105 Reykjavik, Iceland has been the advisor to the Issuer in the preparation of this Registration Document. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained or incorporated in this document or any other information provided by the Issuer in connection with the debt instruments. The Manager does not accept any liability in relation to the information contained or incorporated by reference in this document or any other information, in any document, provided by the Issuer.

Reykjavik, 8 July 2008
On behalf of the Manager

Ingvar Vilhjálmsson
Managing Director

Stefán Ákason
Head of Fixed Income Sales

4. STATUTORY AUDITORS

The Company's accounts for the years ending 31 December 2006 and 31 December 2007, respectively, have been audited and the annual accounts for these years have been endorsed without remarks by Deloitte hf., the Company's independent auditors.

The Company's accounts for the years ending 31 December 2006 and 2007 respectively have been audited and the annual accounts for these years have been endorsed without remarks by the chartered accountants and registered auditors of CCP hf: Birgir Leósson, Icelandic ID-No. 170460-3919; and Lúðvík Þráinsson, Icelandic ID-No. 311073-3549 of Deloitte hf., Icelandic ID-No. 521098-2449, Smáratorg 3, Kópavogur, Iceland

5. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "CCP" and "the Company" in this Registration Document shall be construed as referring to CCP hf., Icelandic ID-No. 450697-3469, unless otherwise clear from the context, and its subsidiaries and affiliates, unless otherwise clear from the context. CCP hf. is the legal and commercial name of the Issuer.

References to "OMX ICE" in this Registration Document shall be construed as referring to the OMX Nordic Exchange Iceland hf., Icelandic ID-No. 681298-2829, unless otherwise clear from the context. References to the "admission to trading" and the "admission to trading on a regulated market" in this Registration Document shall be construed as referring to the admission to trading on the OMX ICE Fixed Income market, unless otherwise clear from the context.

References to "ISD" in this Registration Document shall be construed as referring to the Icelandic Securities Depository, i.e. to Verðbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavik, Iceland, unless otherwise clear from the context.

References to the "Manager" in this Registration Document shall be construed as referring to Kaupthing Bank hf. – Capital Markets division, Icelandic ID-No. 560882-0419, unless otherwise clear from the context.

References to "**CCP Asia**" in this Registration Document shall be construed as referring to CCP's Representative office in Shanghai, P.R. of China.

References to "**MMOG**" in this Registration Document shall be construed as referring to Massively Multiplayer Online Game, the genre of EVE-Online.

References to "**EVE-Online**" in this Registration Document shall be construed as referring to the MMOG EVE-Online available world wide through a single shard (one world) server cluster located in London.

References to "**EVE China**" in this Registration Document shall be construed as referring to a fully localized Chinese version of EVE-Online operated by CCP's licensing partner Optic Communications in China.

References to "**IP**" in this Registration Document shall be construed as referring to Intellectual Property.

References to "**PCU**" in this Registration Document shall be construed as referring to Peak Concurrent Users. How many players are logged on to the game simultaneously.

References to "**NPC**" in this Registration Document shall be construed as referring to Non Playing Characters, these are computer generated characters that play a certain role in EVE-Online.

References to "**HPC**" in this Registration Document shall be construed as referring to High Performance Computing.

References to "**QA**" in this Registration Document shall be construed as referring to Quality Assurance.

References to "Q1-Q4" in this Registration Document shall be construed as referring to the quarters in the fiscal year.

6. DOCUMENTS ON DISPLAY

The following documents are on display and are to be found in Appendices I – III to this Registration Document:

a. The articles of association of CCP hf.

b. The Annual Accounts of CCP hf. for the operating year 2006.

c. The Annual Accounts of CCP hf. for the operating year 2007.

Copies of documents on display to this Registration Document are to be found in Appendices I – III which can be obtained from the Issuer's office at Grandagarður 8, 101 Reykjavík and website www.ccpgames.com for the twelve months during which the Registration Document is valid.

7. NOTICE TO INVESTORS

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in any Debt Securities and carefully review the terms and conditions of the Debt Securities described in the relevant Securities Note.

This Registration Document is to be read in conjunction with all documents on display and found in Appendices I - III to this Registration Document. This Registration Document forms a part of a Prospectus which consists of three separate documents; a Registration Document, a Summary and a Securities Note, all made public on 9 July 2008. Copies of the Prospectus can be obtained from the Issuer's office at Grandagardur 8, 101 Reykjavík and on the Issuer's website www.ccpgames.com for the twelve months during which the Registration Document is valid.

No person is or has been authorized by the Issuer to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or the Manager.

This Registration Document is not (a) intended to provide the basis of any credit or other evaluation; or (b) a recommendation by the Issuer or the Manager that any recipient of this Registration Document should purchase any Debt Securities. Each investor contemplating purchasing any Debt Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Registration Document nor any other information supplied in connection with the Issuer constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe for or to purchase any Debt Securities.

Neither the delivery of this Registration Document nor the sale or delivery of any Debt Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Therefore potential investors are advised to follow all information made public relating to the Issuer, during the lifetime of these corresponding debt securities, including, but not limited to, annual reports, interim accounts and press releases when deciding whether or not to purchase any Debt Securities.

OMX ICE has scrutinized and approved this Registration Document which is only published in English.

8. INFORMATION ABOUT THE ISSUER

Organizational structure

CCP has implemented an organizational structure that will help to pursue the organizational goals in the most efficient and effective means possible. With the rapid growth in employees over the past two years, the goal for organization development was first and foremost to maintain the spirit of entrepreneurship while simultaneously achieving a high degree of process standardization and de-centralization of authority.

CCP is the parent company of the CCP group with its headquarters in Reykjavik, Iceland. CCP Asia is a representative office in Shanghai, China. CCP NA is a fully owned subsidiary in Atlanta, Georgia, USA. CCP Games UK is a fully owned subsidiary in Slough, Berkshire, UK.

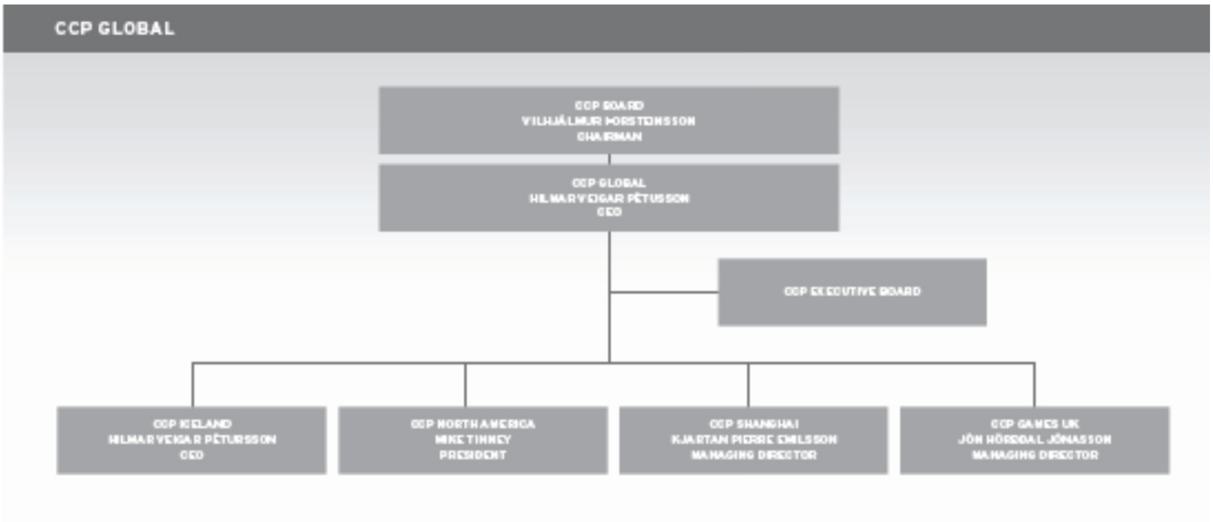
To this end, a strong matrix was adopted in which highly specialized, cross-disciplinary expertise can be leveraged in many projects at once. In summary, employees are grouped by skill set, and multiple skill sets form a Discipline. Each employee can be allocated to one or more projects, and every project is owned by a Producer. Thus, all employees report to two stakeholders: the Producer of the current project, and the presiding Discipline Director. This organizational structure is built on the premise that projects take precedence, and the role of functional managers is to provide technical expertise and allocate resources to the project.

In the current implementation, the Chief Executive Officer (CEO) reports to the Board of the Company. The Executive Board reports to the CEO and functions as an advisory and discussion forum for strategic corporate affairs. There are three primary divisions in the Company:

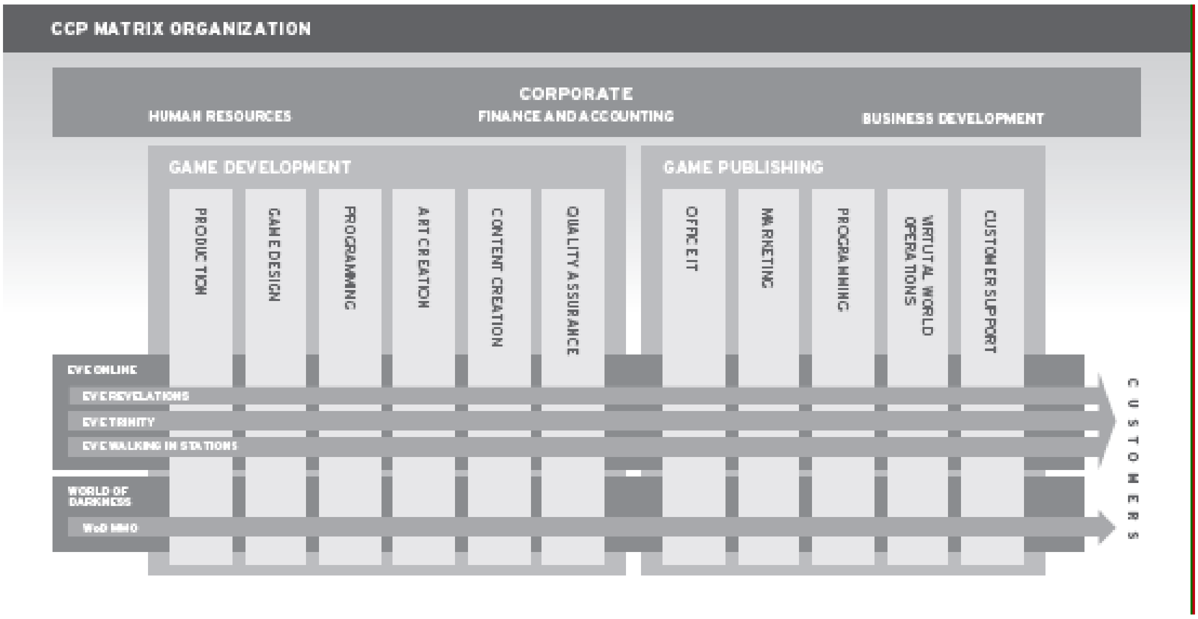
Corporate. This division is responsible for the allocation of human capital, financial, and intellectual as necessary to pursue strategic objectives. The functional roles of CEO, CFO, and Human Resources are the primary drivers of this division.

Development. This division is responsible for the creation of Virtual Worlds. The disciplines of Production, Technology, Game Design, and Art are encompassed here.

Publishing. This division is responsible for the support and operation of Virtual Worlds, which covers Marketing, Operations, and Customer Support.



The following chart lists our three divisions and their functional disciplines.



The Issuer believes that it is not dependent on its subsidiaries or its affiliates in performing its business.

History

CCP hf., Icelandic ID-No. 450697-3469, registered office at Grandagardur 8, 101 Reykjavík, Iceland, telephone number +354-5409100, was established and incorporated on 1 June 1997. The company is a limited liability company registered and incorporated in Iceland. The domicile of the Company is at Grandagarður 8, 101 Reykjavík.

The purpose of the company is the creation of programs, game design, graphical design, multimedia production, management of real estate, financial operations and other related business.

CCP was created with the ambition of becoming a leading producer of massively multiplayer online games (MMOG). When EVE Online was launched in 2003, the company was established as a pioneer in the gaming industry, earning numerous awards and receiving critical acclaim worldwide.

CCP is dedicated to the production of highly advanced games. By harnessing the power of cutting edge technology, the Company is focused on transforming the dreams and imaginations of gamers into reality. To meet the demands of its customers' ambitions, CCP is committed to quality standards that exceed those of industry competitors and drives the creation of superior products.

The core essence of the massively multiplayer game is the virtual reality that it conveys. Achieving success in the creation of simulated worlds depends on the generation of unique experiences that are unattainable in any other form of media. Of equal importance is the correct application of technology to facilitate genuine human interactions in a living, breathing, dynamic virtual universe. Massively multiplayer games represent a paramount revolution in gaming history. For the first time, established brands have the opportunity to see the realization of their proven intellectual properties in a medium that is closer to reality than ever before, marking the dawn of a new age in immersive entertainment.

CCP's vision is to establish itself as the premier brand of subscription-based entertainment products in the MMOG industry, and to fully explore the ancillary product and licensing opportunities that emerge from the creation of successful virtual worlds.

CCP's operations are governed by Act No. 2/1995 on Private Limited Companies. For a further description of the Issuer's business see the chapter 'Description of the Business.'

Description of the Business

Products

CCP is first and foremost a developer of intellectual property (IP). Ever since launching its first product in 1998 – a family board game called "Hættuspil" – the company has continued to define modern, progressive brands that reflect the creative prowess and world building abilities of the CCP team. Massively multiplayer online games present the ideal combination of market opportunity and technical challenge required to compliment CCP's brand vision, innovative capabilities, and cross-disciplinary work procedures.

EVE Online, the company's flagship product, demonstrates how a successful brand can rise to the upper tier of its genre and branch into other forms of entertainment. The ongoing success of EVE Online is possible because of the core technology designed by CCP engineers. This IP will become the foundation upon which additional persistent world offerings will be built.

The merger in November 2006 with Atlanta, GA-based White Wolf Publishing, Inc. has significantly expanded the intellectual property portfolio of CCP Games. In the past fifteen years, White Wolf has created more than twenty different IP's. Its flagship line, World of Darkness, has been developed into a primetime television series, five separate PC and console video game titles, action figures, comic books, novels, board games, and numerous merchandise items. The conversion of this IP into an MMOG is the next persistent world project for CCP.

Persistent Worlds

A persistent world, or massively multiplayer online game (MMOG), is any game in which thousands of players can interact simultaneously with each other in a computer-generated virtual setting. The backbone of this genre is the internet, which enables players to access the game universe wherever an internet connection exists.

Supported by computers running advanced software, the virtual world simulation is persistent. Any objects or 'physical' places that players can visit in the game will persist indefinitely –even after the player exits the game world – until another player (or group of players) generates an action which changes the original condition, as allowed by the "rules" programmed in the software. Players can therefore compete against (or cooperate with) each other anywhere in this virtual universe from anywhere in the physical world, anytime the servers are running.

At the present time, CCP has two MMOG products: EVE Online, which operates on company servers collectively known as "Tranquillity" in London; and EVE China, which is operated by Optic Communication, CCP's licensing partner in Shanghai, China, which is known as "Singularity". The third product, World of Darkness, is currently in pre-production.

EVE Online

Set tens of thousands of years in the future, EVE Online is a journey to the stars, to an immersive experience filled with adventure, riches, danger, and glory. Supported by a vast in-game market economy, EVE Online offers professions for players to choose ranging from commodities trader to mercenary; industrial entrepreneur to pirate; mining engineer to battle fleet commander; or any combination of these and much more.

The most powerful asset in EVE Online is the starship, which is designed to accommodate the unique needs, skills, and ambitions of every player. Complementing each starship's lethal arsenal are thousands of player-produced modules and components, allowing for countless customizations to meet any challenge. From brokering business deals with corporations to waging wars against entire alliances, players have access to a diverse array of sophisticated tools and interfaces to forge their own destiny in EVE Online. Since its launch in 2003, EVE Online has won numerous awards, including Best Game, Best Graphics, and Best PvP (Player versus Player) in the 2005 and 2006 MMORPG.COM Reader's Choice Awards[1] .

The game is a downloadable client available on the www.eve-online.com website. The subscription rate is 14.95 EUR a month for the EU countries including VAT and 14.95 USD for the rest of the world. CCP offers different subscription models ranging from one month to an entire pre-paid year, with significant discounts offered to customers who subscribe for longer durations.

1 http://eve-online.com/community/reviews.asp

EVE China

For CCP Asia, 2007 marked the second full year of operation in Shanghai. The primary focus has been consolidating work processes and aligning the office infrastructure with the rest of the Company. At year's end, CCP Asia maintained a staff of 35 employees, with most of the Company's key organizational functions represented in some form. This is consistent with the long term objective of establishing CCP Asia as a prominent regional game studio, eventually capable of developing and operating a local product from start to finish.

The majority of employees are currently assisting with EVE Online and EVE China in some capacity. The customer support staff has grown in number, but more importantly, in experience as well. Japanese-speaking representatives were also recruited in anticipation of upcoming marketing efforts there.

Another new function is Quality Assurance, which is mainly handling QA for EVE China, but will also be able to assist with QA tasks assigned to any project. This was a crucial step for the entire game development pipeline, as this discipline was identified as a weak area in our Chinese partner's handling of EVE China.

Concerning EVE China, the year witnessed some turmoil, as Optic Communications was sold by Citic (Optics parent company) to the Chinese gaming company CDC in June 2007. During this transition period, Optic's support for EVE China was minimal due to their frequent staff changes and non-existent marketing. This led to the consequent build-up of an internal team within CCP Asia, which the Company was able to accomplish quickly by drawing experienced staff from the customer support division.

This internal effort, along with the eventual stabilization of Optic, led to a turnaround in the subscription trend for EVE China growing the customers in the game over 10% in Q4 2007 and over 17% in Q1 2008. The Company´s goal is to build on this momentum, and to increase research into alternative business models for EVE China that could potentially become viable models for EVE Online or other CCP products in the future. The gaming market in China continues to be strong, with an increasing shift towards free-to-play micro-transaction based games. In its current form, EVE China does not fit well into this model, but remains a well respected game in China, winning the Player's Choice Game of the Year award at China Joy 2007[2] .

As a game company, CCP is still a low profile entity in China. Efforts were made during the year to raise that profile by presenting a main event lecture at the first Chinese Game Developer's Conference in August 2007, and inviting key industry personnel to a reception held afterwards during the same occasion. The Company will continue participating in such events with a core objective of raising regional visibility, as this is crucial for future recruitment efforts.

On the development side, the company has attracted great talent, especially in art production. These individuals are currently focused on producing EVE-related concepts. This effort serves to solidify the EVE franchise in terms of artistic look-and-feel, and assists in spreading the know-how and style references to locations which can be more easily scaled upwards for future production. This is especially important for the numerous art projects that the Company outsourcers in China, in which clear direction and rapid feedback is necessary.

World of Darkness

The setting for this game shares the same history, culture and geography as modern day Earth. On the surface, the inhabitants of this fictional world live as we do; yet here, the shadows are deeper, the nights are darker, and the fog is thicker. But most importantly, monsters exist. Beneath the thin film of civilization, Vampires thrive on the blood of humans, Werewolves prowl for carnage in the darkest forests, and Mages scheme to bend reality to their will.

In the World of Darkness, you are the monster, struggling to remember the memory of your humanity while you struggle against the evil that lurks within us all. CCP and White Wolf are now hard at work in pre-production on the World of Darkness the persistent world. Given the World of Darkness legacy, its large fan base, and proven appeal to both genders, we estimate the subscriber potential of this product to be two to three times that of EVE Online, without competing head on with CCP's existing products thus enabling wider total appeal.

2 http://en.chinajoy.net/
http://findarticles.com/p/articles/mi_m0EIN/is_2007_Oct_15/ai_n21041336

Ancillary Products

Operational management for the physical and ancillary products for EVE Online and World of Darkness has been moved to the USA publishing division, allowing CCP in Iceland to focus on the technological aspects of our business. White Wolf has publishing experience in a number of traditional game formats. The merger enables us to port the EVE IP into traditional book and game formats with ease. Although not as profitable as a MMOG, these publishing mediums expand the public awareness of each brand by creating "brand momentum" for the product line.

CCP's North American office now produces:

Role Playing Books - A traditional RPG is an experience where players assume the roles of imaginary characters and embark on adventures in an imaginary world. Rather than using a computer to demonstrate the experience, players instead use traditional storytelling and turn-based action to create the game world. White Wolf has a role playing game for almost every IP that it has ever developed, and will soon be adding one for EVE.

Board Games – These are played around a table, usually with dice, figures, and a game board. Strategy and luck are usually the key components of these games. White Wolf has developed board games based on several of their brands and is currently in early development for an EVE board game.

Card Games - Played head-to-head or in small groups, these games offer tournament-level competitive play. Collectible and highly engaging, this remains a competitive but lucrative product category in North American and European markets. White Wolf currently publishes a successful CCG (Collectable Card Game) based on the Vampire series of its World of Darkness line and has assumed management of the EVE card game published by CCP in during the summer of 2006.

Novels - Traditional reading entertainment has long been a business category of White Wolf Publishing. Oversight of the development of an EVE Online Novel has been shifted to White Wolf as well.

Merchandise - Pins, dice, mugs, t-shirts, and much more. These small items are primarily marketing and brand building opportunities.

Product development

Product development in 2007 was driven by two strategic objectives: a need to formalize processes as the Company diversified into multiple products, and the creation of our core technology platform.

Agile Development

Agile development is a conceptual framework for software engineering that promotes development iterations throughout the lifecycle of the project. Since our inception, the ambition of our goals and the competitive nature of the industry compelled us to be flexible and reactive in our approach to delivering prompt software milestones. Thus, EVE Online was developed using a Staged Delivery Planning system, with mostly unstructured cross disciplinary activity occurring within each cycle. Because the team was much smaller at the time, the inefficiencies of this approach were masked by the fact there were fewer stakeholders in the collaboration process. With the Company increasing in size and a growing number of ongoing concurrent projects, further formalization was necessary.

Agile methodology attempts to minimize risk defined as the prospect of a flawed long-term engineering solution and resulting financial consequences by developing software in short periods of time. Each period is referred to as an iteration, which typically lasts between one and four weeks. Every individual iteration builds on progress from the prior period, and is an end-to-end software project in itself that includes planning, requirements analysis, design, coding, testing, and documentation. Iterations do not necessarily contain enough functionality to warrant releasing the product to market, but the goal is to have a cross-section of functionality which could be released without bugs at the end of each iteration. Project priorities are re-evaluated by the team at the conclusion of each period.

In agile development, face-to-face communication is favoured over written documents, and working software is the primary measurement of progress. This emphasis therefore produces less documentation relative to other project management approaches, which results in criticism of the methodology as being undisciplined.

SCRUM

Scrum is a project management method for agile development. It accommodates the iterative development cycle with a set of rules to enhance the progress of development while simultaneously allowing any form of engineering practice. With Scrum, iterations are executed in sprints, which are periods of time agreed upon by the agile team to produce a working increment of software. With this methodology, the entire team is part of a strict planning process but relies on the team's facilitator, known as the Scrum Master, to enforce process while the team itself focuses on development of the product. The fundamental objectives of Scrum are releasable products, team commitment to goals, and detailed planning, all of which are business value-driven. In 2007, the Company successfully adapted Scrum for a number of ambitious projects, including the Trinity 3D Engine, Walking in Stations, the New Player Experience, and World of Darkness. With this methodology proving its effectiveness, the Company plans to apply Scrum to more projects and provide additional Scrum training for the development team.

Core Technology

EVE Online deploys one of the most scalable game engines ever created, proven to host over 42,000 players simultaneously in a single Virtual World[3]. This single-shard technology is what makes the complex, widespread social networks found in the EVE universe possible. The Core Technology team was founded to create state-of-the-art technology which can be used as "building blocks" to rapidly construct new Virtual Worlds, with each one building on the success of its predecessor.

One example of this building block approach is the Trinity graphics engine. Trinity is the client-side graphics engine of EVE Online. In development for more than seven years, this engine has run on more than three million EVE Online clients worldwide. Using that success as a foundation, Trinity 2.0 is our state-of-the-art Shader Model 3.0-enabled graphics engine. This engine is in use by both the EVE Online and World of Darkness development groups. In this way, CCP ensures that both teams gain the benefits of the individual technological advance that progresses within the Organization.

"Ambulation" is a new technology being introduced into the CCP Core Technology Platform.

This engine will manage the full-body representation of humans, creatures, and other non-player-characters (NPC) for both indoor and outdoor game environment settings. Ambulation includes R&D in Artificial Intelligence, Animation Systems, Advanced Character Rendering Technology, Crowd Simulation, Navigation, and Pathfinding for agents in indoor environments. Ambulation will be used to deliver the new EVE Online feature "Walking in Stations", and will be the technology foundation for the World of Darkness character system.

To allow for future customer growth and still maintain our ambitions for even larger social structures within CCP's Virtual Worlds, we are actively engaging in R&D for the next generation of computing, and possibly supercomputing as well. CCP is collaborating with several High Performance Computing (HPC) vendors on various fronts for hardware and software solutions. The Core Technology team will be spearheading these efforts and ensuring that the server-side technology keeps pace with CCP's rapidly expanding subscriber base.

EVE Online

EVE Online evolves at a reliable pace, releasing two game expansions per year, plus several smaller updates in between. This year was no exception, as two more great expansions were launched in 2007.

EVE Online: Revelations II

The second instalment in the Revelations series brought numerous additions and improvements to many parts of the game, including combat, exploration, and player governance, but most importantly of all, quality. In order to advance CCP's commitment to bettering the customer experience within the game, CCP has adopted the mantra "Need for Speed". The Need for Speed is much more than just optimizing code. It is a general principle that underlies every change or improvement that is made, guiding the way how to think about everything from engineering all the way to game design and content. Revelations II provided significant CPU and combat system optimizations, and set the initial groundwork to provide full Windows® Vista® support for future expansions.

6 http://www.gamasutra.com/php-bin/news_index.php?story=11670

Another, equally import focus of the Revelations II expansion was improving the experience of new players. An entire Scrum team was committed to this task, yielding great results: subsequent data mining revealed a marked improvement in trial conversions and new player retention thanks to their efforts.

Console Strategy

Microsoft, Nintendo and Sony each produced next-generation, networked consoles in 2006. The opportunity for CCP to leverage its considerable experience in building large player communities on networked platforms will thus be considered in detail. CCP Asia is currently building a talent pool to evaluate prospective opportunities along this focus, and to explore a possible entrance into the console space.

Investments

The Issuer has not made any investments since the last published financial statements other than investments made on arm's length terms. Furthermore the management bodies of the Issuer have not made any firm commitments on any potential future investments.

Principal Markets

Table Top Products

The largest market and main distribution of the Table Top Products is within USA. CCP's tabletop gaming products are distributed through several channels. Most of the products are first sold to a wholesale distributor, which in turn resells our products to a large number of independently owned and operated retail stores, which then provides them to the end customers. Approximately 10% of CCP's unit volume is generated by direct sales to end customers who buy directly from us through our ecommerce operation, or over-the-counter at trade shows and exhibitions.

Digital Products

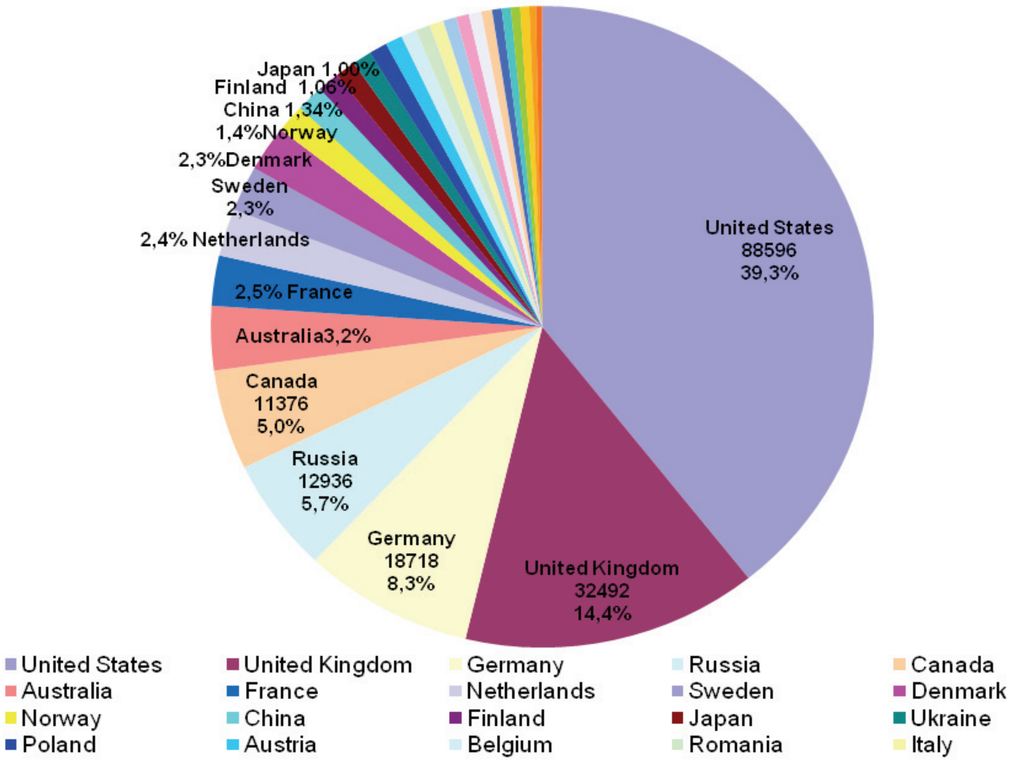
The Company distributes its digital product (EVE-Online) directly to consumers through the product website. Users download the client software and install it on their personal computers after creating the necessary accounts with our billing system.

The Company utilizes a small number of partners and affiliates to help drive traffic to the website. These partners receive commission-based compensation as determined by the number of new accounts created by their referrals.

In addition to the initial installation and setup fee, users of our digital gaming product pay a monthly fee for the use of the service. Approximately 70% of our customers pay directly using credit or debit cards. The remaining 30% pay through the use of "game time codes". These codes are purchased directly from us, or through a network of partners and affiliates. This secure payment system allows users who do not wish to use, or do not have access to, credit or debit services to participate in the game.

At this time, we do not resell our digital products through stores or ecommerce venues, although we are experimenting with doing so. Successful retail distribution requires a strategy to develop long-term relationships with major chain stores, which will require the Company to address their concerns with turn rates and margins. In 2008, we expect to conduct several retailing experiments to define the scope of this challenge to test possible solutions.

The following pie chart shows the geographical distribution of CCP's subscribers to EVE-Online.



Administrative, management, supervisory bodies and senior management

As an Icelandic limited liability company, the organizational structure of CCP hf. is governed by Act No. 2/1995 on Public Limited Companies.

Corporate governance

Corporate governance at CCP hf. is defined as the framework by which the Company is directed and controlled and the means by which relationships among the Company's management, its board, its shareholders and other stakeholders are conducted. This framework is largely set out in its articles of association and is supplemented by the relevant provisions of Act No. 2/1995 on Public Limited Companies. The Company has implemented the corporate governance programme developed by the Icelandic Chamber of Commerce, the OMX ICE and the Confederation of Icelandic Employers in 2004.

The aim of corporate governance at CCP hf. is to ensure disclosure and transparency, define the responsibilities of the board of directors and the management, define the rights and obligations of shareholders and stakeholders, ensure the equal treatment of shareholders, and avoid conflicts of interests between the parties. The board is ultimately responsible for the group's system of internal controls and for reviewing their effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

Statutory bodies

The supreme authority in the affairs of CCP hf., within the limits established by its articles of association and statutory provisions, is in the hands of the Company's shareholders' meetings. Shareholders' meetings may be attended by shareholders, their representatives and advisors. Its annual general meeting shall be held before the end of June each year. At shareholders' meetings each share carries one vote. Decisions at shareholders' meetings are made by majority vote unless otherwise provided for in the articles of association or prescribed by law.

Board of directors

The board of directors of CCP hf. manages the Company's general affairs and endeavours to keep the organization and operations consistent with the Company's mission and strategy as well as ensuring that the Company's organization and activities are in good order at all times and that the accounting and the handling of the Company's funds are sufficiently supervised.

The board has adopted operating procedures where the conduct of its business is further specified.

The board of directors appoints the CEO of the Company and defines the terms of his remuneration. The board´s operating procedures state that board members should familiarize themselves with the provisions of law, the Company's articles of association, securities regulations, any rules which the Company may adopt and relate to the handling of inside information and insider trading, and other relevant rules. Reynir Harðarson, alternate member of the board, is a full time employee of CCP. No other board members are employees of the Company.

CCP's board of directors shall consist of five members, elected at a meeting of the shareholders for a term of one year at a time. Furthermore, two alternate members shall be elected for a term of one year at a time. The eligibility of members of the board shall be subject to statutory law. The table below shows the principal and alternate board members elected by the shareholders' meeting of March 19th, 2008

Name	NRN	Business Address
Vilhjálmur Þorsteinsson, chairman	301265-5309	Baugatangi 6 101 Reykjavik, Iceland Tel: +354 551 7102 Mobile: +354 820 1020
Birgir Már Ragnarsson	020574-5699	Novator Partners LLP 25 Park Lane Mayfair, London W1K 1RA United Kingdom Tel: +44 207 647 1543 Fax: +44 207 647 1520 Mobile: +44 79 44990099
David P. Fialkow	181058-2859	General Catalyst Partners 20 University Road, Suite 450 Cambridge, MA 02138, USA Tel: +1 617 234 7007 Fax: +1 617 234 7030
Stephan Robert Wieck	011069-2829	OneBookShelf 1554 Litton Dr. Stone Mountain, GA 30083, USA
Sigurður Ólafsson	140669-4829	Novator ehf. Sigtun 42 108 Reykjavik, Iceland Tel: +354 414 6000 Fax: +354 414 6020 Mobile: +354 691 1169
Reynir Harðarson, alternate	161273-3339	CCP Grandagardur 8 101 Reykjavik, Iceland Tel: +354 540 9100 Fax: +354 540 9198
Isaac Kato, alternate	NA	General Catalyst Partners 20 University Road, Suite 450 Cambridge, MA 02138 USA Tel: +1 617 234 7007 Fax: +1 617 234 7030

The following section lists the current members of the board of directors and their activities. It details the main occupations and or other occupations that are linked to the ownership or operations of CCP hf. In references made to "related parties" that hold shares in the Company, related parties are linked to board members, where the board members have extensive influence over the investment activity of the related party.

Vilhjálmur Þorsteinsson

Vilhjálmur Þorsteinsson, chairman of the board of CCP hf., was born in 1965. Vilhjálmur currently works as an investor and sits on various boards such as the board of Teton ehf., Verne Holdings ehf., and Malbikunarstöðin Höfði hf. Vilhjálmur has a degree in physics from Hamrahlid College. He has been involved in the information technology and software programming business since 1982 and worked for companies such as CODA Group PLC and Baan Software NV, and served on the boards of public and private companies including Kögun, Skýrr, Opin Kerfi, Íslandssími/Og fjarskipti/Dagsbrún, HugurAx and Hands ASA.

Related Parties: Meson Holding S.A.
Own holding of shares: None.
Call Options: None.
Holdings of financially related parties 174,325.

Birgir Már Ragnarsson

Board member Birgir Már Ragnarsson was born in 1974. Presently Birgir is a partner of Novator Partners LLP and a managing director of Samson Holdings ehf. Birgir is a Harvard Law School graduate as of June 2003 where he concentrated on international finance and corporate law. Since 2003 Birgir has been an adjunct at the Law Faculty of Reykjavik University and is currently a member of the Law Committee of the Icelandic Bar Association. He serves as a board member on several boards including Straumur-Burdaras Investment Bank hf., Samson Holdings ehf., Samson Properties ehf., Novator ehf., Nova ehf., and Novator Partners LLP.

Related Parties: NP ehf, Novator ehf.
Own holding of shares: None
Call Options: None.
Holdings of financially related parties: 3,036,945

David P. Fialkow

Board member David P. Fialkow was born in 1958. David is currently a managing director of General Catalyst Partners. Prior to co-founding General Catalyst Partners, David Fialkow co-founded and operated numerous businesses focused on building applied technology-based platforms and tools for the travel, information services, financial services, specialty retail, and payment processing industries. David is a former associate of Thomas H. Lee Company and U.S. Venture Partners. He is a member of the MIT Leadership Center Advisory Council and serves on several non-profit boards. David became a member of CCP's board in September 2006 when General Catalyst had acquired stocks in the company. He is also a board member of BBN Technologies, SmartLink Radio Networks, National Leisure Group, and SmartBargains (David and General Catalyst co-founded the company). David is a graduate of Colgate University and Boston College Law School.

Related Parties: Teno Investments S.Á.R.L
Own holding of shares: None.
Call Options: None.
Holdings of financially related parties: 1,429,810

Stephan Robert Wieck

Stephan, member of the board, was born in 1969. Steve was one of the founders of White Wolf Publishing (which CCP acquired in 2006), formerly serving as White Wolf's CEO for ten years and then on its board. Stephan currently works on a new start-up company, OneBookShelf based in Atlanta, GA, USA. He has also worked for General Electric and for other companies he helped found. He received his degree in Electrical Engineering from the Georgia Institute of Technology in the USA.

Related Parties: None
Own holding of shares: 24,832
Call Options: None.
Holdings of financially related parties: None

Sigurður Ólafsson

Sigurður Ólafsson, member of the board, was born in 1969. From year 2000 to 2006 Sigurður was a marketing manager at CCP but currently works as brand manager for Novator Partners LLP. Besides sitting on CCP's board Sigurður is a board member of Indian Motorcyles Inc. and TrueNorth hf. Sigurður has a degree in Graphic Design from the Icelandic Academy of The Arts.

Related Parties: None
Own holding of shares: 9,618
Call Options: None.
Holdings of financially related parties: 3,036,945

Reynir Harðarson, Creative Director, founder

Reynir Harðarson, alternate member of the board, was born in 1973. As the founder of CCP in 1997 and the creator of EVE Online, Reynir has fused creativity, determination and vision to earn a place in the forefront of the game industry. Now acting as the Creative Director, overseeing the production of a suite of products ranging from online multiplayer games to tabletop RPGs and collectible card games, Reynir was the original Art Director for EVE Online until 2004. As the Design Director for OZ.com, he was responsible for all of the major graphic projects including the interface for a real-time VRML browser, OZ Virtual, which played a major role in the company's success. Before joining OZ, Reynir worked at the Reykjavik advertising agencies Rita and Hvita Husid. He has also taught graphic design at the Akureyri School of Art in Iceland.

Related Parties: None
Own holding of shares: 944,583
Call Options: None.
Holdings of financially related parties: None

Isaac Kato

Isaac Kato is an alternate board member. He joined General Catalyst from Summit Accelerator Fund, the venture capital arm of Summit Partners, where he was a vice president. At Summit, Isaac led investments in high growth software and services companies and was actively involved with the boards of Postini Corp. and IntelliChem.

Prior to Summit, Isaac co-founded, led, and served as chief operating officer of Sven Technologies, a 3D graphics software firm, which was acquired by Spatial Technology, Inc. (now a division of Dassault Systemes). Following the acquisition of Sven Technologies, Isaac was general manager and vice president of Spatial's online division, where he was instrumental in raising money for the company in the public market. Isaac also has worked as a venture capitalist at GE Capital's Equity Capital Group and at Shamrock Holdings, Inc., the Roy. E. Disney family's private equity firm.

Isaac holds an M.B.A. with distinction from the Harvard Business School, as well as an M.S. in Engineering-Economic Systems and a B.A. in Quantitative Economics, both from Stanford University.

Related Parties: Teno Investments S.Á.R.L
Own holding of shares: None.
Call Options: None.
Holdings of financially related parties: 1,429,810

In the Company's opinion there are no conflicts of interest between any duties of the individual members of the board of directors of CCP hf., its managers, auditors and compliance personnel, on one hand, and the Company, on the other.

None of the members of the board of directors of CCP hf. has, during the course of the last five years, received any convictions in relation to fraudulent offences. Furthermore none of them has, in the last five years, been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or liquidation in the previous five years. None of them has in the last five years been convicted for any criminal act or been subjected to sanctions by statutory or regulatory authorities. Furthermore, none of them has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

Senior Management

The CEO is in charge of the day-to-day operations of the Company and represents the Company in all matters concerning normal operations. The CEO manages the accounts of the Company and hires its employees. The CEO provides the board of directors and auditors with all necessary information on the operations of the Company which they might request and should be granted according to statutory law.

Name	NRN	Business Address	Position
Hilmar Veigar Pétursson	140773-5149	Grandagardur 8	Chief Executive Officer
Ívar Kristjánsson	011069-5099	Grandagardur 8	Chief Financial Director
Jón Hörðdal Jónasson	050371-3019	Grandagardur 8	Chief Operating Director
Reynir Harðarson	161273-3339	Grandagardur 8	Creative Director

Hilmar Veigar Pétursson, CEO

Hilmar Veigar Pétursson was born in 1973. He became CEO of CCP hf. in November 2004. Before his appointment to the CEO position, he held the title of CCP's Chief Technical Officer (CTO) of CCP, heading the engineering effort required to create CCP's persistent world technology and 3D engine. Prior to joining CCP in 2000, he served as the CTO of SmartVR, an OZ.com spin-off based on that company's multi-user virtual reality technology following his tenure as the VP of software development for the OZ Studios division of OZ.com. Currently, he is also active on a number of boards and committees relating to Icelandic information technology and innovation. Hilmar has a B.Sc. in Computer Science from the University of Iceland.

Related Parties: Arion safnreikningur
Own holding of shares: 234,609
Call Options: None
Holdings of financially related parties: 255,505

Ívar Kristjánsson, CFO

Ívar Kristjánsson CCP hf., Chief Financial Officer, born in 1969. Apart from his current role as CFO Ívar has acted as COO, CEO and been a member of CCP's board. He was the CFO for the Independent Art Festival Reykjavík 1996. Ívar studied Politics and Business in the University of Iceland 1996-2000 and has an MBA degree from Reykjavik University.

Related Parties: None
Own holding of shares: 74,557
Call Options: 9,000. The call options were issued in December 2006 and the contract price is 800 kr./pr. share. Ívar is entitled to exercise one fifth of the call options each year, for the first time in December 2007.

Jón Hörðdal Jónasson, COO

Jón Hörðdal Jónasson, CCP hf chief operating officer, was born in 1971. Ensuring that EVE Online subscribers continue to have the greatest gaming experience possible has been Jón's primary focus since his arrival at CCP in 2006 as the Chief Operating Officer where he supervises the Operations and Customer Support departments. Previously, Jón was the Director of Product Development at Eskill, a software service and development company in Iceland. He began his career in the software industry as a tester at OZ.com, eventually co-founding smartVR, an OZ spin-off that offered world leading business collaboration and communication solutions based on multi-user virtual reality, where he served as COO and CEO. Jón holds a B.Ed. degree from Iceland University of Education.

Related Parties: None
Own holding of shares: None.
Call Options: 24,000. The call options were issued in December 2006 and the contract price is 800 kr./share. Jón is entitled to exercise one fifth of the call options each year, for the first time in December 2007.

None of the members of the senior management of CCP hf. has, during the course of the last five years, received any convictions in relation to fraudulent offences. Furthermore none of them has, in the last five years, been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or liquidation in the previous five years. None of them has in the last five years been convicted for any criminal act or been subjected to sanctions by statutory or regulatory authorities. Furthermore, none of them has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no potential conflicts of interest between any duties of the Senior Management and the Company and their private interests.

Auditors

A state-authorized public accountant or accounting firm is elected as the auditor at each annual general meeting of CCP hf. for a term of one year. The auditor examines the Company's accounts and all relevant accounting documents for each year of operation and has access to all the Company's books and documents for this purpose. Auditors are not elected from among the members of the board of the Company or employees. The qualifications and eligibility of the auditor at elections are in other respects governed by law.

The Company's accounts for the years ending 31 December 2006 and 2007 respectively have been audited and the annual accounts for these years have been endorsed without remarks by

the chartered accountant and registered auditor of CCP hf. are Birgir Leósson, Icelandic ID-No. 170460-3919 and Lúðvík Þráinsson , Icelandic ID-No. 311073-3549 of Deloitte hf., Icelandic ID-No. 521098-2449, Smáratorg 3, Kópavogur, Iceland.

Employees

The Issuer employs at the date of this Registration document 335 employees. At the end of December 2007 the total number of employees at CCP was 283 and at the end of December 2006 CCP had 135.

The majority of the employees of CCP hf. are based at its headquarters in Iceland, Grandagardur 8, Reykjavik. CCP has also offices in China and the United States.

Major shareholders

As of the date of this Registration Document there were 97 shareholders in CCP hf. The fifteen largest shareholders owned a total of 90.96% of the Company's total issued share capital.

The major shareholders and their holdings are listed in the Table below.

Shareholder	%
NP ehf	33.99
Teno Investments S.Á.R.L	17.21
Reynir Harðarson	11.37
Arion safnreikningur	5.60
Matthías Guðmundsson	3.72
Hilmar Veigar Pétursson	2.82
Novator ehf	2.56
Frosti Sigurjónsson	2.44
Friðrik Örn Haraldsson	2.42
Guðmundur Kristinsson ehf	2.39
Sundagarðar hf	2.21
Meson Holding S.A.	2.10
Ívar Kristjánsson	0.90
Bergsson ehf	0.64
Stewart Douglas Wieck	0.58
	90.96

NP ehf. and Novator ehf. are investment companies beneficially owned by Björgólfur Thor Björgólfsson. Teno Investments S.Á.R.L is fully owned by General Catalyst Partners, a Boston-based venture capital firm that invests in exceptional entrepreneurs who are building the technology-based companies that will lead innovation and transform industries. Reynir Harðarson is the founder of CCP hf. Various investors and funds have their shares held in Arion custody accounts. Matthías Guðmundsson is an employee, Hilmar is CCP's CEO, Frosti was CCP's Chairman of the board for several years and is an investor, Friðrik is a CCP employee, Guðmundur Kristinsson is an investor, Sundagarðar hf. is an investment company beneficially owned by Eggert Á. Gíslason, Meson Holding S.A. is a holding company owned by Vilhjálmur Þorsteinsson, Chairman of the board of CCP, Ívar Kristjánsson is CCP's CFO, Bergsson ehf. is owned by Magnús Bergsson, CCP employee, and Stewart Wieck came on board after the White Wolf merger.

The shareholders are independent of each other and the issuer is not directly or indirectly owned or controlled by one party. Minority interests are safeguarded by the provisions of Icelandic Act No. 2/1995, on limited liability companies, and the Company's Articles of Association.

The members of the Board of Directors, the CEO's and parties related to them, spouses and children under 18 years, hold a total of 6,110,227 shares in CCP.

Related party transactions

CCP hf. does not believe that it has entered into any transactions with its shareholders, employees or related parties other than on an arm's length basis and in a context which may be regarded as being in the ordinary course of its business.

No material adverse change

The Issuer states that there has not been any material adverse change in the prospects, of the Issuer since the latest published audited financial information, i.e. the annual account of CCP hf. for the operating years 2007.

The Issuer also states that there has not been any significant change in the financial or trading position of its group since the presentation of the Financial Statement for the year 2007 fully audited by Deloitte hf.

9. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES AND NEW DEVELOPMENTS

Operations

Since 2007 CCP's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). With the adoption of IFRS, 2006 numbers have been adjusted according to IFRS for comparison reasons. The financial statements have been audited by the Issuer's auditors, Deloitte hf.

CCP's main income comes from operating EVE-Online, a MMOG with over 230,000 active subscribers. The subscription rate is 14.95 EUR a month for the EU countries including VAT and 14.95 USD for the rest of the world. EVE is hosted on a single server cluster in London.

The MMOG market continues to demonstrate remarkable growth and the genre is increasingly establishing itself as a mainstream gaming platform among gamers, replacing the traditional single player PC games.

Other income comes from licensing agreements and royalties from EVE in China and Pen & Paper publications from White Wolf/CCP North America.

The United States and northern European countries are CCP's current primary markets but CCP seeks further opportunities in Asia.

CCP is currently working on new projects, the largest of which is World of Darkness, a MMOG that is scheduled to launch 2010.

Financial statements

In 2007 CCP adopted International Financial Reporting Standards (IFRS), but prior to that CCP used IS GAAP. When adopting IFRS it is mandatory to update the previous year for comparison reasons. This has been done on a consolidated basis. The following financial information and key figures originate from the 2007 IFRS Financial Report, with the 2006 updated numbers according to IFRS.

IFRS is the global standard of accounting, with nearly 100 countries currently requiring its implementation outright or permitting the use of an IFRS convergence policy, the United States and its US GAAP being no exception. Because the Company is now a global corporation with offices in four countries, and because most major markets require IFRS for listed companies, the Company and its Board are confident that this step is necessary for both sound management reasons and future economic benefits. IFRS is much more than an accounting format. Its strict rule set and compilation of the best practices and guidelines provide the Company with a strong framework to regulate and monitor its financial procedures internally.

The major issues addressed by the Company during the adoption phase concerning the differences between IFRS and IS GAAP were:

>> Capitalization of Development Expenses and other Intangible Assets, of which there are fundamental differences between IFRS and IS GAAP, is how development expenses are reported, especially regarding intellectual property and intangible assets. This is crucial for a company like CCP, which produces mostly intellectual property.

>> Acquisition accounting and goodwill, whereas all business combinations are accounted for by applying the purchase method, requiring that one entity be identified as the acquirer. The acquiring entity assesses the fair value of the separate assets, liabilities, and contingent liabilities in the business it has acquired; this can include identification of intangible assets such as customer relationships, which are not commonly recognized except in the event of an acquisition. The difference between the cost of the business combination and the fair value of the assets and liabilities acquired represents goodwill. Goodwill is not subject to amortization, but is tested for impairment at least annually, where any impairment found is charged to the income statement.

>> Inventory, where Inventory is stated at the lower of cost and net realizable value, whereas net realizable value is the estimated selling price less the costs to complete and costs to sell.

>> Employee stock-based payments, where the Company is required to assess the market value of said benefits and expenses in the vesting period.

The Company's investment in Virtual Worlds and game development is, according to IFRS, regarded as the creation of assets, instead of direct expense. In turn, the cost of a Virtual World or game project is accrued during the development phase and capitalized instead of expensed. When the product is launched and sales begin, the capitalized development cost is fully depreciated like any other asset during its estimated lifetime. According CCP's restated IFRS financial reports, over $10 million of development cost has been capitalized in the years 2006 and 2007.

IFRS defines six criteria for a project's development cost to be capitalized:

- Technical Feasibility Assessment
- Intention to use or sell
- Future Economic Benefits
- Ability to Use or Sell
- Ability to complete development
- Ability to measure the expenditure

With the increase in scale, complexity, and sheer number of development efforts that the Company is pursuing, these criteria will be of great importance for management purposes, both in assessing progress and monitoring the financial status of each project.

Profitability

CCP made a pre-tax profit of USD 4,487,760 in 2007, compared with USD 11,090,575 in 2006. It reported an after-tax profit of USD 2,998,225 in 2007, compared with USD 8,977,774 in 2006.

Revenues

Total revenues in 2007 amounted to USD 37,155,107, compared with USD 26,308,826 for the previous year. This reflects the substantial increase in active subscribers during the period.

Expenses

Total expenses amounted to USD 32,711,256 in 2007, compared with USD 14,678,181 for the previous year. This reflects the growth of the corporation last year. The number of employees grew from 135 to 283 in 2007. Advances have been made in the development of EVE-Online and other future products. Outsourcing has been increased according to planned milestones etc.

Operating profit, financial expenses and taxes

The Group's profit before financial expenses in 2007 totalled USD 4,443,851, compared with USD 11,630,644 for the previous year.

Financial income amounted to USD 1,971,048 in 2007, compared with USD 37,630 for the previous year.

Financial expenses amounted to USD (1,927,139), compared with USD (577,699) for the previous year.

Income tax was USD 1,489,505 in 2007, compared with USD 2,112,801 for the previous year.

Key Figures – CCP hf

Income Statement in USD

	USD 2007	USD 2006
Income[4]	37,155,107	26,308,826
Salaries and related expenses[5]	11,336,081	4,969,896
Other operating expenses[6]	20,013,914	8,919,041
Depreciation	1,361,696	789,243
Operating profit	4,443,851	11,630,644
Financial income	1,971,048	37,630
Financial expense	-1,927,139	-577699
Profit before tax	4,487,760	11,090,575
Income tax	-1,489,505	-2,112,801
Profit for the period /year	2,998,255	8,977,774

Balance Sheet

Assets

At year end 2007 CCP's total assets amounted to USD 47,295,214 compared with USD 18,076,407 at the end of 2006, an increase of USD 29,218,807, or 262%, since the beginning of the year. The increase is explained in part by the bank note with Kaupthing. The proceeds of the bank note were invested in market securities.

Liabilities and equity

CCP's total liabilities amounted to USD 33,767,943 at year end 2007, compared to USD 8,526,258 at the end of 2006.

The Group's deferred tax liability amounted to USD 2,082,066 at the end of 2007, whereas it was USD 716,008 at the beginning of the year.

The Group's equity totalled USD 13.5 million as of 31 December 2007, which is an increase of USD 4 million since the beginning of the year.

4 Increase in revenue reflects the substantial increase in active subscribers during the period
5 This reflects the growth of the corporation during last year. The number of employees grew from 135 to 283 in 2007
6 The Company has grown significantly, raising various costs. Advances have been made in the development of EVE-Online and other future products. Outsourcing has been increased according to planned milestones.

Consolidated Balance Sheet

	USD 31 Dec 2007	USD 31 Dec 2006	Change
Assets			
Goodwill	4.257,553	4,257,553	0%
Development Cost	14,019,497	3,406,966	312%
Other Intangible assets	868,197	923,832	6%
Computer and equipment	3,232,585	1,898,759	24%
Deferred tax assets	29,550	29,550	0%
Goods for sale	2,338,153	2,598,704	-10%
Accounts receivables	3,167,481	2,239,316	42%
Other receivables	2,002,681	768,604	161%
Market securities	16,316,411	0,0	100%
Bank deposits and cash	1,063,107	1,953,123	-46%
Total assets	**47,295,214**	**18,076,407**	**262%**
Stockholders' Equity			
Capital stock	115,950	115,257	1%
Premium account of capital stock	3,374,452	3,312,780	2%
Translation difference ... 155,948	160,325	-3%	
Equity settled employee stock options	1,268,461	347,582	365%
Retained earnings	8,612,460	5,614,205	53%
Total equity	**13,527,271**	**9,550,149**	**42%**
Liabilities			
Non Current Liabilities			
Borrowings	2,216,871	117,658	1784%
Deferred Tax liabilities	2,082,066	716,008	190%
Provisions	236,516	236,513	0%
Current Liabilities			
Liabilities to Credit institution	18,440,297	3,489,545	428%
Accounts payable	4,732,207	1,368,634	246%
Current maturities of long-term liabilities	1,583,807	162,575	874%
Other current liabilities	2,885,004	1,310,438	120%
Deferred income	1,591,175	1,124,978	41%
Total liabilities	**33,767,943**	**8,526,258**	**296%**
Total Stockholders' equity and liabilities	**47,295,214**	**18,076,407**	**162%**

10. ADDITIONAL INFORMATION

Share capital

The share capital of CCP is ISK 8,307,216. Shares are divided into the multiples of ISK 1 that each shareholder of the Company holds at any time.

Own shares

CCP holds 3,750 own shares (which amounts to less than 0.05 % of total issued shares). By law the Company's own shares do not carry voting rights.

Development of the share capital

CCP was incorporated on 1 June 1997 with a share capital of ISK 500,000. At the date of this Registration Document the total issued shares number 8,307,216.

Memorandum and Articles of Association

Objective of the Company

The Company's registered number is 450697-3469. As described in Article 1.03 of the Articles of Association, the purpose of the company is the creation of programs, game design, graphical design, multimedia production, management of real estate, financial operations and other related business.

Appendix I

ARTICLES OF ASSOCIATION of CCP hf.

CCP HF. (CCP 08 0728)
JULY 2008

ARTICLES OF ASSOCIATION OF CCP HF.

1. Company name, domicile and purpose

1.01 The company is a limited liability company. Its name is CCP.

1.02 The domicile of the Company is at Grandagarður 8, 101 Reykjavík.

1.03 The purpose of the company is creation of programs, game design, graphical design, multimedia production, management of real estate, financial operations and other related business.

2. Share capital of the company

2.01 The share capital of the company is ISK 8,263,036 – eightmillion, two hundred sixty three thousand, thirty six 00/100 by nominal value, and is divided into the same number of shares of 1 ISK each.

2.02 The board of the company is authorized to decide upon an increase of the share capital by up to ISK 66,540 in order to enter into stock purchase option agreements with employees of the company. This authorization is valid for the next five years subsequent to its adoption on April 30, 2002.

2.03 The board of the company is authorized to decide upon an increase of the share capital by up to ISK 400,000 nominal value by issuing new shares, in a single tranche or in multiple tranches. The authorization is valid until September 7, 2011 and lapses on that day to the extent that is has not already been utilized. This authorization can only be applied in relation to the fulfillment of stock purchase option agreements with employees of the company, subsidiaries or companies within the same group. Shareholders do not have pre-emptive subscription rights to shares issued under this authorization. The new shares shall grant rights in the company from such day as they are delivered to an employee in accordance with the terms of a stock option agreement.

2.04 The board of the company is authorized to decide upon an increase of the share capital by up to ISK 37,980 nominal value by issuing new shares. The authorization is valid for one year from its approval on November 10, 2006 and can only be applied in relation to the acquisition of other companies. Shareholders shall not have pre-emptive subscription rights to these new shares. The new shares shall grant rights in the company from the date of issue.

2.05 The board of directors of the company is permitted to decide to issue the share capital of the company in United States Dollars instead of Icelandic Króna, in accordance with paragraph 4 of article 1 of the law on limited liability companies No. 2/1995. The conversion of the share capital shall conform to the stipulations of the law on annual financial statements No. 3/2006, referring to para. 5 of article 1 of the law on limited liability companies No. 2/1995. The board is further authorized to make necessary amendments to the articles of association as required by such issuance, including changing the amounts in paragraphs 2.01-2.04 of the articles that relate to the change, with the same method of conversion.

2.06 Only a shareholders' meeting can authorize the increase or decrease of share capital in the company, and such authorization shall require the same amount of votes as would changes to these articles of association.

2.07 Shareholders shall have pre-emptive rights of subscription to any share capital increase in proportion to their registered share ownership.

2.08 Share certificates in the company shall be issued electronically in a securities depository pursuant to statutory law on electronic registration of securities. With respect to the company, a transcript from a securities depository shall be regarded as full proof of title to shares in the company. Dividends at any time, as well as all notices, shall be sent to the party registered at any time as the owner of the shares in question at the securities depository. The company assumes no responsibility for payments or notices being lost owing to failure to notify the company of changes of address. If a shareholder does not claim dividends within three years of it becoming due, the dividend shall revert to the company.

2.09 A party that assumes ownership of shares in the company cannot exercise its rights as a shareholder unless its name has been registered in the shareholding registry of a securities depository or it has claimed and proven its ownership of said shares. Share certificates can be voided without judgement of court in accordance with the law on limited liability companies.

2.10 The company is authorized to purchase its own shares to the extent permitted by law. The company cannot provide loans with its shares as collateral. Voting rights for shares owned by the company cannot be exercised.

2.11 Apart from previous provisions herein, there are no special rights associated with shares in the company, or restrictions on the sale or other transfer of shares in the company. No shareholder can be forced to redeem their shares in full or in part.

2.12 Each shareholder is under obligation, without specific commitment, to abide by the articles of association of the company, in their current form or as lawfully amended at any time.

2.13 Shareholders shall not be liable for the commitments of the company beyond their share in the company. This provision cannot be amended or deleted by any resolution of any shareholders' meeting.

3. Organizational structure

3.01 The company shall be governed by:

a) Shareholders' meetings.
b) The board of directors of the company.
c) The chief executive officer.

4. Shareholders' meetings

4.01 The supreme authority in all affairs of the company, within the limits established by its articles of association and by statutory law, is in the hands of lawful shareholders' meetings.

4.02 The annual general meeting of shareholders shall be held before the end of June each year. The meeting shall be held at the domicile of the company or such other location as decided by the board of directors in each instance.

4.03 The board of directors of the company shall convene shareholders' meetings at its discretion, by a resolution of a meeting, or when the elected auditors or shareholders holding a minimum of 1/10 of the share capital, demand it in writing, stating the purpose of the meeting. The meeting notice shall specify the agenda of business to be conducted at the shareholders' meeting. When a lawful demand for a meeting has come forward, the board is obliged to convene the meeting within 14 days of receiving the demand. If the board has not convened a meeting within this period, it is permitted to demand that the official registry of limited companies call the meeting.

4.04 The annual general meeting shall be convened with at least 14 days notice, while other shareholders' meetings shall be convened with at least 7 days notice. Shareholders' meetings shall be convened by advertisements in widely read newspapers. Shareholders so wishing shall be sent a written notice. The agenda of the meeting shall be specified in the meeting notice. If the articles of association are proposed to be amended, the material content of such proposal shall be specified in the meeting notice.

4.05 A shareholders' meeting is valid if it is lawfully convened.

4.06 At least one week before a shareholders' meeting, the agenda of business, final proposals, as well as the annual accounts and the auditor's report in the case of an annual general meeting, shall be put forward for shareholder inspection at the office of the company, and concurrently sent to any registered shareholder so wishing.

4.07 The agenda of the annual general meeting shall address the following items of business:

a) The board of the company shall report on the state and activities of the company during the preceding year of operation.

b) The balance sheet and the profit and loss statement of the company for the preceding year of operation, together with the comments of the company auditors, submitted for approval.

c) Decision on the disposal of the profit or loss of the company during the year of operation.

d) Decision on remuneration of the members of the board of directors.

e) Proposals for amendment of the articles of association, lawfully brought to the meeting.

f) Proposal by the board of directors on the compensation policy of the company.

g) Election of the board of directors.

h) Election of auditors.

i) Other business, lawfully brought to the meeting.

4.08 A shareholder can designate a representative to attend a shareholders' meeting on his behalf. The representative shall present a written and dated proxy. A proxy is never valid for more than 1 year from its date. A shareholder can attend a meeting with an adviser. An adviser does not have right of speech, right of proposal or right of vote at shareholders' meetings.

4.09 At shareholders' meetings, one vote is associated with each one share in the company, and decisions are carried by majority vote, unless otherwise specified in these articles of association or in statutory law. The consent of all shareholders is required to:

a) Oblige shareholders to contribute money to company purposes beyond their commitment;

b) Restrict rights to dispose of their shares.

4.10 The consent of at least 2/3 of votes cast, as well as the consent of shareholders controlling at least 2/3 of the shares represented for voting at the meeting, is required to decide to sell significant property held by the company at any time.

4.11 Proposals concerning amendment of the articles of association of the company or merging with other companies cannot be entertained at its meetings unless such proposals were mentioned in the meeting notice. Matters not specifically included in the agenda cannot be brought up for final decision at a meeting without the consent of all shareholders. However a nonbinding resolution for the guidance of the board of directors can be made.

4.12 Shareholders' meetings are governed by a meeting chairman elected by the meeting. The chairman shall cause the election of a meeting secretary, who keeps a written meeting record.

4.13 The meeting record shall contain all decisions of the meeting and a succinct account of the discussions at the meeting. When the meeting record has been read aloud and agreed, the meeting chairman shall sign it with the meeting secretary. At the latest 14 days after a shareholders' meeting, shareholders shall be permitted access to the meeting record or a confirmed copy of the meeting minutes at the company's office. Meeting records shall be stored in a secure manner.

5. Board of directors

5.01 The annual general meeting elects 5 people each year to the board of directors and 2 alternates. The board divides its duties and elects a chairman from its ranks as well as a vice-chairman.

5.02 The board of directors governs all matters of the company between shareholders meetings and protects its interests *vis-à-vis* third parties. Its principal duties are:

a) To decide the direction of the company and to maintain constant and detailed supervision of all its operations; ensure that the organization and activities of the company are always in good and proper order. In particular, the board shall ensure adequate supervision of the accounts of the company and the handling of its assets.

b) To appoint a chief executive officer, decide on his/her salary and other terms of employment, establish his/her terms of reference and to rescind his/her employment.

c) To represent the company before the courts and government authorities.

d) To decide who shall have powers of procuration for the company.

e) To attend to any other business as it determines to be necessary at any time.

5.03 The signature of a majority of the board of directors enters the company into commitments.

5.04 The chairman of the board convenes meetings of the board of directors and conducts the meetings. Meetings shall be called whenever deemed necessary by the chairman. The chairman is further obligated to convene a board meeting if demanded by one board member or by the chief executive officer. Board meetings are valid if the majority of board members is in attendance.

5.05 A simple majority vote carries decisions. In the case of a tie, the chairman casts the deciding vote.

5.06 Board members shall have access to all company books and documents.

5.07 The board shall keep a written record of board meetings and confirm it with its signature. A separate record shall be kept of the share holdings of board members and the chief executive officer in accordance with article 67 of the law on limited liability companies.

5.08 The board shall adopt operating procedures where the conduct of its business is further specified.

6. Chief executive officer

6.01 The chief executive officer of the company is responsible for the day-to-day management of the company, pursuant to the direction and instruction of the board of directors. Day-to-day management does not include measures that are unusual or extraordinary. Such measures may only be undertaken by the CEO under special permission from the board, unless a decision by the board cannot be awaited without significantly adverse effects for the company. In such instances, the board shall without delay be notified of the action taken.

6.02 The CEO shall *inter alia* handle recruitment of employees and ensure that the accounts of the company are kept in a thorough manner.

6.03 The CEO is obliged to comply with all lawful instructions of the board. He/she shall give any information requested to board members and auditors.

6.04 It is permitted to hire a board member as CEO. However, it is not permitted for the CEO to serve as chairman of the board.

7. Accounts and auditing

7.01 The annual general meeting shall elect a certified public auditor or auditing company for a one-year term. An auditor cannot be elected from the ranks of the board or from the employees of the company.

7.02 The company's accounting year is the calendar year. An annual report shall be prepared for each year of operation, in accordance with the provisions of the law on annual reports. The auditor shall finish the auditing of the annual report no later than two weeks prior to the annual general meeting. He is then obliged to send it to the board of directors along with his comments. No later than one week before the annual general meeting shall the board of directors have prepared its answers to the comments of the auditor. Those answers and the comments shall be put forward to inspection by shareholders along with the anual report at least a week before the meeting.

8. Amendments to the company's articles of association

8.01 These articles of association may be amended at lawful shareholders' meetings, provided it is explicitly mentioned in a meeting notice that such amendments are proposed, along with the material content of such proposals. Amendments shall be adopted with at least 2/3 of the votes cast, as well as with the votes of shareholders controlling at least 2/3 of the shares in the company that are represented at the meeting, provided that the voting majority is not otherwise specified in the articles of association or in statutory law.

9. Dissolution of the company

9.01 A proposal for the dissolution and liquidation of the company shall be subject to the same rules as amendments to these articles. The votes of shareholders controlling at least 2/3 of the share capital of the company are required to dissolve the company. A shareholders' meeting that has made a valid decision to dissolve or liquidate the company shall also decide on the disposal of assets and the payment of debts.

10. Further provisions

10.01 These articles of association are entered into in accordance with the law on limited liability companies No. 2/1995. Where these articles of association provide no direction, the provisions of the law on limited liability companies shall apply, as well as other statutory law that may apply in each case.

10.02 These articles of association are presented in Icelandic and English. In case of dispute, the Icelandic version shall prevail.

Samþykkt á aðalfundi CCP hf. 12. apríl 2007. / Approved by the Annual General Meeting of shareholders of CCP hf. on April 12, 2007.

Appendix II

CCP hf.

Financial Statements

2006

CCP hf.
Grandagarður 8
101 Reykjavík
ID no. 450697-3469

CCP hf.

Financial Statements

2006

Table of Contents.

Independent Auditor's Report

To the Board of Directors and shareholders of CCP hf.

We have audited the accompanying financial statements of CCP hf., which comprise the balance sheet as at December 31, 2006, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in n accordance with generally accepted accounting principles in Iceland. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of CCP hf. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles in Iceland applied on a consistent basis.

Reykjavik, March 27, 2007

Deloitte hf.

Birkir Leósson
State Autorized Public Accountant

Endorsement by the Board of Directors and Managing Director

CCP's net profit for the year 2006 amounted to ISK 453,963,149. At year end, the Company's assets amounted to ISK 1,040,765,303, while the shareholders' equity was ISK 481,082,674.

All development costs are expensed as incurred during the course of the year and intellectual property rights for EVE Online are not capitalized. Revenues continued to increase throughout the year, with Q4 2006 yielding ISK 497 million in total revenue compared with ISK 227 million in the same quarter of 2005, and the company has enjoyed widening margins in tandem with this growth..

The number of employees at year-end was 135 in the company's offices in Reykjavík, Shanghai and Atlanta , compared to 47 at the beginning of the year. Salaries and related expenses amounted to ISK 483 million.

The Company achieved a number of important milestones during the year. In July the Company launched, in cooperation with Optic Communications, the Chinese version of EVE Online, operated from Optic's facilities in Shanghai. In August further regional expansions were made in the form of a German language version of the game, hosted on CCP's servers in London. In November the acquisition of White Wolf Publishing was concluded. Later in the month of November a major expansion to the EVE Online universe was released, EVE Online Revelations, and was well received in the market, lifting the subscription base of EVE Online in London above 150,000.

At year-end, shareholders in CCP hf. numbered 96, compared to 112 at the beginning of the year. Three shareholders owned more than 10% of the shares in the Company at year-end: NP ehf. with 34.2%, Teno Investments with 16% and S. Reynir Harðarson with 12.2%.

The Board of Directors recommends that dividends shall not be paid to shareholders in 2007. With regard to disposal of profit and changes in the equity of the Company, the Board refers to the Notes attached to the Financial Statements.

It is the opinion of the Board of Directors and the Managing Director that these Financial Statements present all the information necessary to show the position of the Company at year-end, the operating results for the year and the financial development during the year 2006. The Board of Directors and Managing Director hereby confirm the Financial Statements for the year 2006 with their signatures.

Reykjavík, March 27, 2007

Board of Directors

Vilhjálmur Þorsteinsson, Chairman

David Fialkow

Petteri Terho

Sigurður Ólafsson

Birgir Már Ragnarsson

Managing Director

Income Statement for the year 2006

	Notes	Group 2006	Parent 2006	Parent 2005
Operating revenue				
Subscription and sales revenue - EVE online		1.476.930.695	1.448.578.068	663.827.670
Other income		345.481.669	344.574.232	42.597.259
	16	1.822.412.364	1.793.152.300	706.424.929
Operating expenses				
Salaries and related expenses	3	482.549.702	468.075.943	230.544.682
Network and service expenses		77.303.135	77.303.135	212.105.962
Marketing expenses		205.554.998	205.554.998	56.405.670
Other operating expenses		406.797.615	389.024.318	123.797.006
Depreciation	8	54.015.322	33.894.861	20.137.214
		1.226.220.771	1.173.853.255	642.990.534
Operating profit		596.191.592	619.299.045	63.434.395
Share of loss of associates		0	(22.230.714)	0
Financial income and (expenses) total	4	(37.410.612)	(38.574.822)	(23.828.311)
Profit before tax		558.780.980	558.493.509	39.606.084
Income tax for this year	5	(104.817.831)	(104.530.360)	(7.129.095)
Deferred tax from loss before this year	5,13	0	0	125.109.285
Net income for the year	16	453.963.149	453.963.149	157.586.274

Balance Sheet December 31, 2006

Assets	Notes	Group 31.12.2006	Parent 31.12.2006	Parent 31.12.2005
Fixed Assets				
Goodwill	6	143.835.686	0	0
Other intangible assets	7	215.753.564	0	0
Computers and equipment	8	136.065.095	81.853.274	54.952.379
Investments in subsidiaries	10	0	502.123.093	0
Deferred tax assets	5,13	33.138.690	31.021.065	117.980.190
		528.793.034	614.997.432	172.932.569
Current assets				
Goods for sale	9	156.463.930	29.688.146	3.950.243
Accounts receivables		160.469.404	137.081.515	62.956.072
Loans to subsidiaries		0	83.528.271	0
Other receivables		55.078.161	31.873.095	18.996.515
Bank deposits and cash		139.960.774	103.339.854	1.132.919
		511.972.270	385.510.881	87.035.749
Total assets		1.040.765.303	1.000.508.313	259.968.318
Stockholders´ equity and liabilities				
Stockholders´ equity				
Capital stock	14	8.259.286	8.259.286	7.941.936
Premium account of capital stock		237.393.820	237.393.820	18.000.000
Translation difference		1.042.897	1.042.897	0
Retained earnings		234.386.671	234.386.671	(219.576.478)
Stockholders´equity	11	481.082.674	481.082.674	(193.634.542)
Liabilities				
Non-current liabilities				
Long-term bond	12	8.431.370	8.431.370	17.104.735
Provisions	15	16.948.522	0	0
		25.379.892	8.431.370	17.104.735
Current liabilities				
Liabilities to credit institution		250.054.250	250.054.250	172.326.416
Accounts payable		98.076.333	85.600.391	124.851.431
Current maturities of long-term liabilities	12	11.650.130	11.650.130	14.127.843
Other current liabilities		93.906.093	83.073.566	71.739.167
Deferred income		80.615.932	80.615.932	53.453.268
		534.302.738	510.994.269	436.498.125

Statement of Cash Flows for the year 2006

	Notes	Group 2006	Parent 2006	Parent 2005
Cash flows from operating activities				
Net income		453.963.149	453.963.149	157.586.274
Operating items not affecting cash flow				
Depreciation	8	54.015.322	33.894.861	20.137.214
Exch. rate difference on assets and liabilities		7.419.145	7.419.145	2.557.981
Deferred tax assets - change		86.927.954	86.959.125	(117.980.190)
Share of profit of associates		0	22.230.714	0
Working capital provided by operating activities		602.325.569	604.466.994	62.301.279
Change in operating assets and liabilities				
Inventory, decrease, (increase)		(26.445.496)	(25.737.903)	(1.923.676)
Current receivables, decrease, (increase)		(98.209.450)	(87.002.023)	(12.197.059)
Current liabilities, (decrease), increase		(40.199.786)	(753.977)	52.603.075
Net cash provided by operating activities		437.470.837	490.973.091	100.783.619
Cash flows from financing activities				
Investment in machinery and equipment		(127.859.958)	(60.795.756)	(29.738.362)
Loans to subsidiaries		0	(83.528.271)	0
Acquisition of investments in subsidiaries		(311.210.910)	(311.210.910)	0
		(439.070.868)	(455.534.937)	(29.738.362)
Financing activities				
Short-term borrowings		77.727.834	77.727.834	(118.334.883)
New long-term liabilities		0	0	22.304.639
Long-term liabilities repaid		(18.570.223)	(18.570.223)	(9.928.580)
Paid in capital stock		37.951.430	7.611.170	18.375.000
		97.109.041	66.768.781	(87.583.824)
Increase (decrease) in cash		95.509.010	102.206.935	(16.538.567)
Effect of foreign exchange rates		538.247	0	0
Cash and cash equivalents at beginning of year		43.913.517	1.132.919	17.671.486
Cash and cash equivalents at end of year		139.960.774	103.339.854	1.132.919

Notes

1. General information

CCP hf. is a limited company and complies with the Icelandic limited companies laws nr. 2/1995.

The principal activities of CCP hf. is development and design of computer games sold online on the Internet. All copyright of the computer game EVE is property of the Company.

CCP hf. owns two subsidiaries, CCP North America (White Wolf Publishing) and CCP UK. The subsidiaries are included in the consolidated financial statements. CCP hf. opened a representative office in China in the year 2006. At the end of the year the China office had 16 employees.

2. Accounting Policies

Basis of preparation

The Financial Statements of CCP hf. for the year 2006 are prepared according to generally accepted accounting principles in Iceland. Costing method is used in the Financial Statements and it is prepared according to the same accounting principles as for the previous year. The Financial Statements are prepared in Icelandic krónur.

The principal accounting policies adopted are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The consolidated financial statements have been prepared using the purchase method of consolidation accounting. When ownership in subsidiaries is less than 100%, the minority interest in the subsidiaries' income or loss and stockholders equity is accounted for in the calculation of the consolidated income or loss and the consolidated stockholders equity. Immaterial minority interest is not accounted for in the consolidated financial statements.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

One of the purposes of consolidated financial statements is to show only the net external sales, expenses, assets and liabilities of the consolidated entities as a whole. Hence, intercompany transactions have been eliminated within the consolidated businesses in the presentation of the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Consolidation´s interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at each balance sheet date. The amount of impairment is calculated using discounted expected future cash flows. The discount rate applied to these cash flows is based on weighted average cost of capital, which represents the cost of debt and equity after taxation. Impairment charges are measured on the basis of comparison of estimated fair values (discounted expected future cash flows) with corresponding book values.

Notes

2. Accounting Policies (continued)

Risk management

CCP hf. overall plan towards foreign exchange risk is to manage risk by applying natural hedging to as much extent as possible and that way keep risk within acceptable level.

The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

Revenue recognition

Revenue from product sales are recognized when earned as required by generally accepted accounting principles. Product sales are recognised when goods are delivered, title has passed and are shown in the income statement net of value added tax, discount and internal sales. Revenues in income statement constitute of sold computer games and subscription for computer game accounts on the Internet for each month net of repayment, value added tax, discount and internal sales. Prepaid revenues are liabilities even though there is no repayment obligation.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised as assets and depreciated over their expected useful lives. The corresponding liability to the lessor is included in the balance sheet as a finance obligation. All other leases are classified as operating leases and lease payments are recognized in the period they incur.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

Financial expense

All financial expense are recognized in the period they incur.

Taxation

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's current tax liability in Iceland is 18%.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Notes

2. Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are recognised as assets when it is probable that future economic benefits associated with the assets will flow to the consolidation and the cost of the asset can be measured in a reliable manner. Property, plant and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of a property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a fixed annual percentage of the historical cost over its useful life, less residual value.

Other intangible assets

Intangible assets are solely recognised as assets when it is probable that future economic benefits associated with the asset will flow to the consolidation and the cost of the asset can be measured in a reliable manner. Intangible assets consist of intellectual property which have indefinite useful life. They are not amortized, but reviewed for impairment at each balanc sheet date.

Impairment

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specified to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Inventory

Inventories are stated at the lower of cost or net realisable value, after taking obsolete and defective goods into consideration. Cost comprises direct materials and, where applicable, direct labour costs and those overhead expenses that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. All cost that incur in the development and designing of computer games is recognized as expense.

Notes

2. Accounting Policies (continued)

Investment

Bonds and long-term receivables which the company has the expressed intention and ability to hold to maturity (loans and receivables) are valued at cost, less an allowance for estimated irrecoverable amounts.

Investment held for trading are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period.

Other investments are classified as available-for-sale. Investment available-for-sale is recorded in fair value which is market value if the value is based on a reliable assumption, for example by the public stock exchange. For available-for-sale investment, gains and losses arising from changes in fair value are recognised directly in equity in the period they incur. If the market value cannot be estimated in a reliable way, then the investment available-for-sale is recorded at cost, less an allowance for future losses.

Trade receivables

Accounts receivables are valued at nominal value less an allowance for doubtful accounts. The allowance is deducted from accounts receivable in the balance sheet and does not represent a final write-off.

Long term liabilities

Long term liabilities are valued at nominal value less payments made and the remaining nominal balance is adjusted by exchange rate or index, if applicable. Interest expense is accrued on a periodical basis, based on the principal outstanding and at the interest rate applicable. Borrowing costs are recognised in profit or loss in the year they are incurred.

Trade payables

Trade payables are valued at nominal value and accounts payable in other currencies have been booked at the exchange rates prevailing on the balance sheet date.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for product warranty are recognized at the data of sale of the relevant products, at the directors best estimate of the expenditure required to cover the future cash flow of the warranty.

Stock option contracts and obligations to increase share capital

The Company has made a stock options agreements with all employees. These agreements represent an obligation to increase share capital in the future.

Notes

3. Salaries

	Group 2006	Parent 2006	Parent 2005
Salaries	365.857.656	353.678.050	206.024.365
Salary-related expenses	97.507.736	95.213.583	15.496.811
Contractor - foreign	19.184.310	19.184.310	9.023.506
	482.549.702	468.075.943	230.544.682
Average number of positions	99	79	47

The company's total management salaries and benefits for the year was ISK 19,9 million.

4. Financial income and expenses

	Group 2006	Parent 2006	Parent 2005
Interest income	2.606.627	1.786.946	334.838
Interest expenses	(17.260.230)	(17.194.504)	(28.984.895)
Exchange-rate difference	(22.757.009)	(23.167.264)	4.821.746
	(37.410.612)	(38.574.822)	(23.828.311)

5. Taxation

Income tax has been calculated and recorded in the Financial Statements, the amount charged in the Statement of Earnings is ISK 104,5 million for the year 2006. Income tax payable in the year 2007 is ISK 0.0 millions.

6. Goodwill

	2006
Book value 1.1	0
Additions	143.835.686
Book value 31.12	143.835.686

CCP North America bought all shares in White Wolf Publishing in November 2006. The goodwill arises in consolidation and represents the excess of the cost of acquisition over the Consolidation´s interest in the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition.

7. Other intagible assets

	Intellectual properties
Additions	215.753.564
Amortization during the year	0
Book value 31.12	215.753.564

Intellectual properties are not amortized, but they are reviewed for impairment at each balance sheet date.

Notes

8. Fixed tangible assets and depreciation

Parent	Fixtures	Computers and equipment	Total
Total value 1.1	3.868.690	74.993.635	78.862.325
Previously depreciated	(2.121.995)	(21.787.951)	(23.909.946)
Book value 1.1	1.746.695	53.205.684	54.952.379
Additions during the period	12.427.506	48.368.250	60.795.756
Depreciation during the period	(1.387.211)	(32.507.650)	(33.894.861)
Book value 31.12	12.786.990	69.066.284	81.853.274
Depreciation ratio	20%	33%	

Group	Fixtures	Computers and equipment	Total
Total value 1.1	11.135.157	91.441.683	102.576.840
Previously depreciated	(8.066.980)	(34.769.303)	(42.836.283)
Book value 1.1	3.068.177	56.672.380	59.740.557
Additions during the period	12.464.698	118.930.666	131.395.364
Exchange rate difference	(2.428)	(1.053.076)	(1.055.504)
Depreciation during the period	(1.457.589)	(52.557.733)	(54.015.322)
Book value 31.12	14.072.858	121.992.237	136.065.095
Depreciation ratio	20%	25-33%	

9. Inventories

	31.12.2006	31.12.2005
Goods for sale	29.688.146	3.950.243

10. Subsidiaries

	Proportion of ownership	Par value	Principal activity
Shares in subsidiaries			
CCP North America Inc.	100,00%	USD 1	Intellectual property creation and management
CCP UK Ltd.	100,00%	GBP 1.000	Virtual world operation

Notes

11. Stockholders´equity

	Capital stock	Premium account of capital stock	Translation difference	Retained earnings	Total
Stockholders´equity 1.1	7.941.936	18.000.000	0	(219.576.478)	(193.634.542)
Increase in capital stock	317.350	219.393.820	0		219.711.170
Translation difference of shares in forreign subsidiaries			1.042.897		1.042.897
Net income				453.963.149	453.963.149
	8.259.286	237.393.820	1.042.897	234.386.671	481.082.674

12. Long-term liabilities

	Bank loans 31.12.2006	Bank loans 31.12.2005
Debts in EUR	10.407.850	15.281.058
Debts in USD	9.673.650	15.951.520
	20.081.500	31.232.578
Amount due for settlement within 12 months	(11.650.130)	(14.127.843)
Long-term liabilities at year-end	8.431.370	17.104.735

Installments of long-term liabilities are specified as follows:

	Bank loans
Current maturities	11.650.130
Installments 2008	7.354.930
Installments 2009	1.076.440
	20.081.500

13. Deferred tax

	Group Deferred tax assets	Parent Deferred tax assets
At January 1, 2006	120.065.568	117.980.190
Effect of withdrawal tax in China	17.571.235	17.571.235
Calculated tax for the year 2006	(104.817.831)	(104.530.360)
Exchange rate difference	(9.918)	0
Income tax payable for the year 2007	329.636	0
At December 31, 2006	33.138.690	31.021.065

The following are the major deferred tax liabilities and assets recognised:

	Group	Parent
Computers and equipment	(2.555.256)	(1.944.354)
Other items	2.671.614	(56.913)
Loss carry forward	33.022.332	33.022.332
	33.138.690	31.021.065

The carry loss forward can be subtracted from net income at latest as follows:

Available for 2007-2013	168.016.399
Available for 2007-2014	15.440.999
	[illegible]

Notes

14. Commitments and other matters

At the end of the period the position of the Company's forreign currency forward contracts are positive of ISK 3,1 million. The gain has been posted in the income statement and as an asset in the balance sheet.

The Company has made a real estate rental contract and there are 4 year still left of that contract.

The Company has made a stock option agreements with its employees. The stock options are based on nominal value at predetermined option price and are specified as follows.

	Nominal Value
Stock options effective 2006 and later, option price 90	85.000
Stock options effective 2007 and later, option price 800	348.800

15. Provisions

CCP North America has agreed to let some of its distributors return some of the products they had previously purchased. A provision for this return right has been posted in the financial statements and amounts to ISK 16,9 million.

16. Four quarters summary:

Operating revenue	**Q4 2006**	**Q3 2006**	**Q2 2006**	**Q1 2006**	**Q4 2005**
Subscription and sales - EVE	418.322.536	379.985.979	346.786.039	303.483.514	197.276.311
Other income	78.437.543	93.699.479	98.128.477	74.308.733	30.216.797
	496.760.079	473.685.458	444.914.516	377.792.247	227.493.108
Operating expenses					
Salaries and related expenses	156.878.779	114.514.542	115.926.645	80.755.977	70.224.481
Network and service expenses	3.988.170	5.364.009	8.296.510	59.654.446	55.691.077
Marketing expenses	51.431.039	72.743.622	48.036.134	33.344.203	32.532.326
Other operating expenses	143.829.978	92.740.087	92.250.594	60.203.659	60.252.362
Depreciation	10.604.262	8.662.031	7.688.541	6.940.027	5.568.442
	366.732.228	294.024.291	272.198.424	240.898.312	224.268.688
Operating income	130.027.851	179.661.167	172.716.092	136.893.935	3.224.420
Share of profit of associates	(22.230.714)	0	0	0	0
Financial income (expenses)	1.195.518	34.993.688	(46.958.550)	(27.805.478)	(5.385.858)
	108.992.655	214.654.855	125.757.542	109.088.457	(2.161.438)
Income tax	(23.620.206)	(38.637.874)	(22.636.358)	(19.635.922)	117.980.190
Net income	85.372.449	176.016.981	103.121.184	89.452.535	115.818.752

Notes

17. Ratios

From Statement of Earnings	2006	2005	2004
Profitability ratios			
Earnings before interests, taxes and depreciation (EBITDA)	653.193.906	83.571.609	38.935.216
a) Contribution margin on operation	0,36	0,12	0,07
b) Profit margin on operating income	0,25	0,22	0,00
c) Earnings per share (EPS)	56,04	20,32	0,10

a) EBITDA/operating income
b) Net profit/operating income
c) Earnings per share (EPS)

From Balance Sheet	31.12.2006	31.12.2005	31.12.2004
Liquidity ratios			
i) Quick or acid-test ratio	0,70	0,19	0,18
j) Current ratio	0,75	0,20	0,18

i) Current assets - inventories/current liabilities
j) Current assets/current liabilities

Operating expenses: Percentage of operating revenue	2006	2005	Changes
Salaries and related expenses	26,10%	32,64%	-6,53%
Network and service expenses	4,31%	30,03%	-25,71%
Marketing expenses	11,46%	7,98%	3,48%
Other operating expenses	21,69%	17,52%	4,17%
Depreciation	1,89%	2,85%	-0,96%
Operating expenses/operating income	65,46%	91,02%	-25,56%

Appendix III

CCP hf.

Financial Statements

2007

CCP hf.
Grandagarður 8
101 Reykjavík
Iceland
ID no. 450697-3469

CCP hf.

Financial Statements

2007

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Independent Auditor´s Report

To the Board of Directors and shareholders of CCP hf.

We have audited the accompanying financial statements of CCP hf., which comprise the balance sheet as at December 31, 2007, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in an accordance with generally accepted accounting principles in Iceland. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, based on our own audit and the audit reports on the financial statements of the foreign subsidiaries of CCP hf., the financial statements give a true and fair view of the financial position of CCP hf. and subsidiaries as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Kopavogur, March 19, 2008

Deloitte hf.

Birkir Leósson
State Autorized Public Accountant

Lúðvík Þráinsson
State Autorized Public Accountant

Endorsement by the Board of Directors and Managing Director

The Consolidated Financial Statements for the year 2007 consist of the Consolidated Financial Statements of CCP hf. and its subsidiaries, together referred to as the Company (Group). The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Einhver umfjöllun hér frá félaginu.....??? IFRS og USD

The total sales of the Group amounted to USD 37,155,107. The profit of the year amounted to USD 2,998,255. According to the Balance Statement the Company's assets amount to USD 47,295,214, the year's end book value of equity is USD 13,527,271 and the Company's equity ratio is 28.6%.

The number of employees at year-end was 283 in the company's offices in Reykjavík, Shanghai and Atlanta , compared to 135 at the beginning of the year. Salaries and related expenses amounted to USD 15,591,746.

At year-end, shareholders in CCP hf. numbered 99, compared to 96 at the beginning of the year. Three shareholders owned more than 10% of the shares in the Company at year-end: NP ehf. with 34.0%, Teno Investments with 16.5% and S. Reynir Harðarson with 12.1%.

The Board of Directors recommends that dividends shall not be paid to shareholders in 2008. With regard to disposal of profit and changes in the equity of the Company, the Board refers to the Notes attached to the Financial Statements.

The Board of Directors complies with standard procedures set by the Board. The procedures comply with the Guidelines on Corporate Governance issued by the Icelandic Chamber of Commerce. The procedures address issues such as allocation of responsibilities and power of decision within the Board, privileged, independency issues, confidentiality, etc.

It is the opinion of the Board of Directors and the CEO that the accounting policies used are appropriate and that these Consolidated Financial Statements present all the information necessary to give a true and fair view of the company's assets and liabilities, financial position and operating performance, as well as describing the principal risk and uncertainty factors faced by the company.

Reykjavík, March 19, 2008

Board of Directors

Vilhjálmur Þorsteinsson, Chairman

David Fialkow

Petteri Terho

Sigurður Ólafsson

Birgir Már Ragnarsson

Managing Director

Hilmar Veigar Pétursson

Income Statement for the year 2007

	Notes	Group 2007	Group 2006	Parent 2007	Parent 2006
Operating revenue					
Subscription and sales revenue - EVE online		32.370.477	21.321.361	32.370.477	20.912.055
Other income		4.784.631	4.987.465	1.953.024	4.974.365
	5	37.155.107	26.308.826	34.323.500	25.886.420
Operating expenses					
Salaries and related expenses		11.336.081	4.969.896	8.971.758	4.760.949
Network and service expenses		992.842	1.115.968	946.868	1.115.968
Marketing expenses		3.961.723	2.967.446	3.777.788	2.967.446
Other operating expenses		15.058.914	4.835.627	15.098.097	4.579.049
Depreciation	10	1.361.696	789.243	874.708	498.779
		32.711.256	14.678.181	29.669.219	13.922.191
Operating profit		4.443.851	11.630.644	4.654.281	11.964.229
Share of loss of associates		0	0	(881.066)	(320.928)
Financial income total	7	1.971.048	37.630	1.938.241	25.797
Financial expenses total	8	(1.927.139)	(577.699)	(1.742.901)	(582.673)
Profit before tax		4.487.760	11.090.575	3.968.555	11.086.425
Income tax for this year	9	(1.489.505)	(2.112.801)	(970.300)	(2.108.651)
Net income for the year		2.998.255	8.977.774	2.998.255	8.977.774

Balance Sheet December 31, 2007

Assets	Notes	Group 31.12.2007	Group 31.12.2006	Parent 31.12.2007	Parent 31.12.2006
Fixed Assets					
Goodwill	11	4.257.553	4.257.553	0	0
Development cost	12	14.019.497	3.406.966	12.709.656	3.406.966
Other intangible assets	12	868.197	923.832	0	0
Computers and equipment	10	3.232.585	1.898.759	1.821.527	1.142.245
Investments in subsidiaries	13	0	0	6.449.194	7.585.698
Deferred tax assets		29.550	29.550	0	0
		22.407.382	10.516.660	20.980.377	12.134.909
Current assets					
Goods for sale	14	2.338.153	2.598.704	117.408	414.292
Accounts receivables	15	3.167.481	2.239.316	3.110.408	1.912.943
Loans to subsidiaries		0	0	3.354.513	1.165.619
Other receivables		2.002.681	768.604	1.754.583	444.782
Market securities	22	16.316.411	0	16.316.411	0
Bank deposits and cash	22	1.063.107	1.953.123	402.944	1.442.086
		24.887.832	7.559.747	25.056.268	5.379.722
Total assets		47.295.214	18.076.407	46.036.645	17.514.631
Stockholders´equity and liabilities					
Stockholders´equity					
Capital stock	16	115.950	115.257	115.950	115.257
Premium account of capital stock		3.374.452	3.312.780	3.374.452	3.312.780
Translation difference		155.948	160.324	155.948	160.325
Equity settled employee stock options		1.268.461	347.582	1.268.461	347.582
Retained earnings		8.612.460	5.614.205	8.612.460	5.614.205
Stockholders´equity		13.527.271	9.550.147	13.527.271	9.550.149
Liabilities					
Non-current liabilities					
Borrowings	17	2.216.871	117.658	2.216.871	117.658
Deferred tax liabilitiy	18	2.082.066	716.008	1.558.130	716.008
Provisions	19	236.513	236.513	0	0
		4.535.450	1.070.179	3.775.001	833.666
Current liabilities					
Liabilities to credit institution	17	18.440.297	3.489.454	18.440.297	3.489.454
Accounts payable		4.732.209	1.368.634	4.416.593	1.194.535
Current maturities of long-term liabilities	17	1.583.807	162.575	1.583.807	162.575
Other current liabilities		2.885.004	1.310.439	2.702.500	1.159.274
Deferred income	20	1.591.175	1.124.978	1.591.175	1.124.978
		29.232.493	7.456.081	28.734.372	7.130.816
Liabilities		33.767.943	8.526.260	32.509.373	7.964.482
Total stockholders´equity and liabilities		47.295.214	18.076.407	46.036.645	17.514.631

Consolidated Statement of changes in Equity for the year ended 31 December 2007

	Share capital USD	Share premium USD	Equity-settled employee benefits reserve USD	Foreign currency translation reserve USD	Retained earnings USD	Total USD
Balance at 31 December 2005..........	126.103	285.805	0	0	(3.486.448)	(3.074.540)
IFRS adjustments..............................	0	0	0	0	0	0
Balance at 1 January 2006 IFRS.......	126.103	285.805	0	0	(3.486.448)	(3.074.540)
Increase in capital stock....................	4.429	3.061.594				3.066.022
Translation difference.......................				14.553		14.553
Employee stock option.....................			347.582			347.582
Profit of the year..............................					8.977.774	8.977.774
Translation difference.......................	(15.274)	(34.619)		145.771	122.879	218.757
Balance at 31 December 2006	115.257	3.312.780	347.582	160.324	5.614.205	9.550.148
Equity at 1 January 2007	115.257	3.312.780		14.553	3.270.816	6.713.406
Changes due to IFRS........................			347.582	145.771	2.343.389	2.836.742
Balance at 1 January 2007.................	115.257	3.312.780	347.582	160.324	5.614.205	9.550.149
Increase in capital stock....................	693	61.672				62.365
Translation differences......................				(4.375)		(4.375)
Employee stock option.....................			920.879			920.879
Profit for the year.............................					2.998.255	2.998.255
Balance at 31 December 2007..........	115.950	3.374.452	1.268.461	155.948	8.612.460	13.527.271

Statement of Cash Flows for the Year 2007

	Notes	Group 2007	Group 2006	Parent 2007	Parent 2006
Cash flows from operating activities					
Net income		2.998.255	8.977.774	2.998.255	8.977.774
Operating items not affecting cash flow					
Depreciation	10	1.361.696	789.243	874.708	498.779
Exch. rate difference on assets and liab.		18.141	107.104	18.141	107.105
Other items		247.124	0	195.427	0
Deferred tax assets - change		1.366.058	1.854.539	842.122	1.854.989
Equity settled employee stock options		920.879	0	920.879	0
Share of profit of associates		0	0	881.066	320.928
Working capital provided by operating activities		6.912.154	11.728.660	6.730.598	11.759.575
Change in operating assets and liabilities					
Inventory, decrease, (increase)		65.124	(381.774)	296.884	(371.559)
Current receivables, decrease, (increase)		(2.243.107)	(1.417.778)	(2.507.267)	(1.255.984)
Current liabilities, (decrease), increase		5.396.469	(580.334)	5.231.481	(10.885)
Net cash provided by operating activities		10.130.639	9.348.774	9.751.697	10.121.147
Cash flows from financing activities					
Investment in machinery and equipment		(2.679.875)	(1.845.820)	(1.498.355)	(877.664)
Development cost		(10.612.531)	(3.033.329)	(9.302.690)	(3.033.329)
Loans to subsidiaries		0	0	(2.188.894)	(1.205.836)
Long term securities and other receivables		140.146	0	0	0
Acquisition of investments in subsidiaries		0	(4.492.723)	0	(4.492.723)
		(13.152.260)	(9.371.872)	(12.989.939)	(9.609.552)
Financing activities					
Short-term borrowings		14.950.843	1.122.100	14.950.843	1.122.100
New long-term liabilities		4.400.000	0	4.400.000	0
Long-term liabilities repaid		(897.697)	(268.085)	(897.697)	(268.085)
Paid in capital stock		62.365	547.877	62.365	109.877
		18.515.511	1.401.892	18.515.511	963.892
Increase (decrease) in cash		15.493.891	1.378.794	15.277.269	1.475.487
Effect of foreign exchange rates		(67.497)	(122.932)	0	(51.390)
Cash and cash equivalents at beginning of year		1.953.123	697.261	1.442.086	17.989
Cash and cash equivalents at end of year		17.379.517	1.953.123	16.719.355	1.442.086

Notes to the Financial Statements

1. General information

CCP hf. is a limited company incorporated in Iceland. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report.

2. Adoption of new and revised Standards

2.1 Standards and Interpretations effective in the current period

The Financial Statements of CCP have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, for the first time.
IFRS 1, *First-time Adoption of International Financial Reporting Standards,* has been applied. Information on the effect on financial changes with adopting IFRS is explained in note 27 and the comparative figures from 2006 have been changed accordingly.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these
Interpretations has not led to any changes in the Group's accounting policies.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective

• IFRS 8, Operating Segments (effective 1 January 2009)

• IAS 23 (Revised), Borrowing costs (effective 1 January 2009)

At the date of authorisation of these financial statements the following Interpretations were in issue but not yet effective:

• IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective 1 March 2007);

• IFRIC 12 Service Concession Arrangements (effective 1 January 2008); and

• IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

The directors anticipate that all of the above Interpretations will be adopted in the Group's financial statements for the period commencing 1 January 2008 and that the adoption of those Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

3. Significant Accounting Policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Notes to the Financial Statements

3.2 Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

The Consolidated Financial Statements are prepared in US dollars (USD). The change in functional currency from Icelandic kronas to USD was made as of 1 January 2007, upon receipt of the proper authorisation from regulatory authorities. This change is carried out in order to reflect, in a more transparent way, the focus of the Group´s operation and economic changes with regards to the USD exposure as its main currency. The comparative figures for the year in 2006 have been translated to USD.

3.3 Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Notes to the Financial Statements

3.5 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

3.6 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at 3.5 above.

3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.7.1 <u>Subscription fees</u>

• the Group recognises revenues from subscriptions fees on a straight-line basis over the subscription period;

• fees for the subscription period (1, 3, 6 or 12 months) are collected at the beginning of the period. Fees are none-refundable;

• unrecognised revenues from subscriptions fees are accounted for as deferred revenues among current liabilities.

Notes to the Financial Statements

3.7.2 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

• the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

• the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

• the amount of revenue can be measured reliably;

• it is probable that the economic benefits associated with the transaction will flow to the entity; and

• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.7.3 Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

3.7.4 Dividend and interest revenue
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee
Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

3.9 Foreign currencies

The individual financial statements of each Company's entity are presented in the currency of the primary economic environment in which the entity operates in. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in USD which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are expressed in USD using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.10 Borrowing costs

All borrowing costs in accordance with IAS23 are recognised in profit or loss in the period in which they are incurred.

3.11 Share-based payments

Equity-settled share-based payments to employees are measured at the estimated current fair value of the equity instrument determined at each balance sheet date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 22.

The fair value of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Notes to the Financial Statements

3.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.12.1 Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3.12.2 Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.12.3 Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Notes to the Financial Statements

3.13 Computers and equipment

Computers and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of computers and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.14 Intangible assets

3.14.1 <u>Intangible assets acquired separately</u>

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.14.2 <u>Internally-generated intangible assets – research and development expenditure</u>

Expenditure on research activities and development is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

• the technical feasibility of completing the intangible asset so that it will be available for use or sale;
• the intention to complete the intangible asset and use or sell it;
• the ability to use or sell the intangible asset;
• how the intangible asset will generate probable future economic benefits;
• the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
• the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Notes to the Financial Statements

3.14.3 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3.15 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Financial Statements

3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.18 Financial assets

Investments are recognised and derecognised on a trade date where the puchase of sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, wich are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.18.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3.18.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

3.18.3 Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Notes to the Financial Statements

3.18.4 AFS financial assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

3.18.5 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3.18.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes to the Financial Statements

3.18.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.19 Financial liabilities and equity instruments issued by the Group

3.19.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.19.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

3.19.3 Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

3.19.4 Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out at 3.7 above.

3.19.5 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Notes to the Financial Statements

3.20 Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

5. Revenue

	2007	2006
Subscription fees	32.420.942	23.574.938
Revenue from the sale of goods	3.890.410	703.088
Royalty fees	843.756	2.030.800
	37.155.107	26.308.826

6. Segment information

	Revenue from external customers		Segment assets	
	2007	2006	2007	2006
	USD	USD	USD	USD
Europe	31.541.510	25.886.420	42.837.158	15.245.475
USA	5.613.597	422.406	4.458.056	2.830.932
	37.155.107	26.308.826	47.295.214	18.076.407

Notes to the Financial Statements

7. Investment revenue

	2007	2006
Interest revenue:		
Bank deposits	1.162.211	37.630
Net foreign exchange gains	808.837	0
	1.971.048	37.630

8. Finance costs

	2007	2006
Net foreign exchange losses	0	328.526
Interest on bank overdrafts and loans	1.927.139	249.173
	1.927.139	577.699

9. Income taxes

The total charge for the year can be reconciled to the accounting profit as follows:

	2007		2006	
	Amount	%	Amount	%
Profit before tax	4.487.760		11.090.575	
Tax at the rate of 18%	807.797	18%	1.996.303	18%
Due to R&D capitalization in USA	458.349	10%	0	0%
Due to foreign subsidiary	125.991	3%	61.170	1%
Tax effect of other items	97.368	2%	55.328	0%
Income tax according to income statement	1.489.505	33,2%	2.112.802	19%

Notes to the Financial Statements

10. Computers and equipment

	Other tangible assets at cost	Computers and equipment at cost	Total
Cost or valuation			
Balance at 1 January 2006	175.966	1.445.033	1.620.999
Additions	173.942	1.594.825	1.768.767
Acquisitions through bus. combinations	0	64.827	64.827
Net foreign currency exchange differences	-28.728	-168.984	-197.712
Balance at 1 January 2007	321.181	2.935.701	3.256.882
Additions	223.297	2.456.577	2.679.874
Disposals	0	-345.584	-345.584
Net foreign currency exchange differences	0	11.712	11.712
Balance at 31 December 2007	544.478	5.058.406	5.602.884

	Other tangible assets at cost	Computers and equipment at cost	Total
Accumulated depreciation and impairment			
Balance at 1 January 2006	127.481	549.452	676.932
Depreciation expense	19.358	733.432	752.790
Net foreign currency exchange differences	(20.809)	(50.791)	(71.600)
Balance at 1 January 2007	126.030	1.232.093	1.358.123
Eliminated on disposals of assets	0	(293.885)	(293.885)
Depreciation expense	66.369	1.239.692	1.306.061
Balance at 31 December 2007	192.399	2.177.900	2.370.299
Carrying amount			
As at 31 December 2006	195.151	1.703.608	1.898.759
As at 31 December 2007	352.079	2.880.506	3.232.585

The following useful lives are used in the calculation of depreciation:

Other tangible assets	5 years
Computer equipment	3 years

Notes to the Financial Statements

11. Goodwill

	2007	2006
Cost		
Balance at beginning of year	4.257.553	0
Additional amounts recognised from business combinations occurring during the year	0	4.257.553
Balance at end of year	4.257.553	4.257.553
Carrying amount		
At beginning of year	4.257.553	0
At end of year	4.257.553	4.257.553

Annual test for impairment

During the financial year, the Group assessed the recoverable amount of goodwill. An impairment test model was built for each cash-generating unit (CGU) and the value tested if it was above the goodwill. They resulted in value greater than the goodwill and therefore no impairment was necessary.

12. Other intangible assets

	Capitalised development	Trademarks	Customer relationship	Total
Cost				
Balance at 1 January 2006	0	0	0	0
Additions from internal developments	3.406.966	0	0	3.406.966
Acquisitions through business combinations	0	543.658	389.447	933.105
Balance at 1 January 2007	3.406.966	543.658	389.447	4.340.071
Additions from internal developments	10.612.531	0	0	10.612.531
Balance at 31 December 2007	14.019.497	543.658	389.447	14.952.602
Accumulated amortisation and impairment				
Balance at 1 January 2006	0	0	0	0
Amortisation expense	0	0	9.273	9.273
Balance at 1 January 2007	0	0	9.273	9.273
Amortisation expense	0	0	55.635	55.635
Balance at 31 December 2007	0	0	64.908	64.908
Carrying amount				
As at 31 December 2006	3.406.966	543.658	380.174	4.349.344
As at 31 December 2007	14.019.497	543.658	324.539	14.887.694

The following useful lives are used in the calculation of amortisation:

Customer relationship .... 7 years

Notes to the Financial Statements

13. Subsidiaries

Details of the Company's subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
		%	%	
CCP North America...........	USA	100	100	Intellectual property creation and management
CCP UK...............................	UK	100	100	Virtual world operation

14. Inventories

	31.12 2007	31.12 2006
Goods for sale......................................	2.338.153	2.598.704

15. Trade and other receivables

	31.12 2007	31.12 2006
Trade receivables......................................	3.653.790	2.757.001
Allowance for doubtful debts......................................	(486.309)	(517.685)
	3.167.481	2.239.316

16. Equity and reserves

16.1 Issued capital

	Share capital		Share premium	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Issued capital	115.950	115.257	3.374.452	3.312.780

16.2 Equity-settled employee benefits reserve

	2007	2006
Balance at beginning of year......................................	347.582	0
Expensed during the year......................................	920.879	347.582
Balance at end of year......................................	1.268.461	347.582

16.3 Foreign currency translation reserve

	2007	2006
Balance at beginning of year......................................	160.325	0
Arising on translation of foreign operations......................................	(4.375)	160.325
Balance at end of year......................................	155.950	160.325

Notes to the Financial Statements

17. Borrowings

	Current		Non-current	
	31.12 2007	31.12 2006	31.12 2007	31.12 2006
Debts in EUR	58.570	81.288	8.436	58.829
Debts in USD	1.525.237	3.570.741	2.208.435	58.829
Debts in ISK	18.440.297	0	0	0
	20.024.104	3.652.029	2.216.871	117.658

18. Deferred tax assets/liability

	2007	2006
Balance at beginning of year	716.008	(1.873.296)
Calculated tax for the year	1.489.505	2.112.801
Other changes	(50.357)	249.595
Exchange differences	(73.090)	226.908
Balance at end of year	2.082.066	716.008

19. Provisions

	2007	2006
Balance at beginning of year	236.513	0
Additions due to business combinations	0	236.513
Balance at end of year	236.513	236.513

20. Deferred income

Deferred revenue relating to unrecognised subscriptions fees

	2007	2006
Balance at beginning of year	1.124.978	846.717
Changes during the year	466.197	278.261
Balance at end of year	1.591.175	1.124.978

Notes to the Financial Statements

21. Share-based payments

Employee share option plan

The Group has an ownership-based compensation scheme for employees of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, employees may be granted options to purchase ordinary shares at a specific exercise price, usually being the current estimated spot price. The number of shares that an employee is entitled to buy under the option agreement can vary between employees. The number is based on the employees status and responsibility within the company.

No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The options are split into 5 portions, each for 20% of the total number of shares under the option agreement. The first portion vests one year after signature and the last portion vests five years after signature. The options granted expire within twelve months of the last portions vesting date, or within 90 days of the resignation of the employee, whichever is the earlier.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Exercise price	Cumulative provision
(1) Issued prior to 1 January 2006......................	49.000	1/1 2005	90	42.601.559
(2) Issued in the year 2006..................................	325.200	19/12 2006	800	40.257.403
(3) Issued in the year 2007*................................	35.600	Various	1200-1400	856.132
				83.715.093

(*) During the year 2007 the Group granted options to employees on various dates from 1 January to 18 August.

The Group's shares are not traded on an active market. The necessary market related data inputs to estimate fair value at grant date does therefore not exist. The Group acknowledge that the granted options are a cost to the company and therefore an alternative method is applied to derive the cost. At each balance sheet date the Group calculates the outstanding cumulative provision based on the exercise price in the most recent share options agreements granted and the portions that the employee has earned. This method is in line with the accounting for cash-settled share options. Since the options will be settled in shares but not cash the Group transfers the change in cumulative provision debit through P/L and credit through share options reserve in equity.

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year..........	374.200	707	49.000	90
Granted during the financial year........................	35.600	1248	325.200	800
Balance at end of the financial year.....................	409.800	753	374.200	707
Exercisable at end of the financial year.............	86.740	622	10.850	90

Notes to the Financial Statements

22. Cash and cash equivalents

	31.12 2007	31.12 2006
Cash and bank balances	1.063.107	1.953.123
Market securities	16.316.411	0
	17.379.517	1.953.123

23. Financial instruments

23.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2006.

23.2 Categories of financial instruments

	31.12 2007	31.12 2006
Financial assets		
Derivative instruments not designated as a hedge	83.410	81.248
Loans and receivables (including cash and cash equivalents)	22.113.806	4.879.795
Financial liabilities		
Amortised cost	26.809.158	5.138.321

23.3 Financial risk management objectives

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks for example by using derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

23.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 24.6 below) and interest rates (see 24.7 below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

There has been no change to the manner in which the Group manages and measures the risk.

Notes to the Financial Statements

23.5 Foreign currency risk management

The Group is mainly exposed to two currencies, ISK and EUR. The carrying amount of the Group's ISK/EUR denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Currency net exposure	
	2007	2006
ISK	-5.631.767	-1.705.327
EUR	1.464.368	725.607

23.5.1 Foreign currency sensitivity

The table below shows what effects 10% increase of the relevant foreign currency rate against the USD would have on P/L and equity. The foreign currency assets and liabilities in the sensitivity analysis are mainly foreign currency borrowings and foreign currency bank balances. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. The analysis assume that all other variables, than the relevant foreign currency rate, are held constant. The sensitivity analysis does not take into account tax effects. A positive number below indicates an increase in profit and other equity. A decrease of the relevant foreign currency rate against the USD would have an opposite impact on P/L and equity.

	ISK Impact		EUR Impact	
	2007	2006	2007	2006
P/L and equity	-563.177	-170.533	146.437	72.561

23.6 Interest rate risk management

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has both fixed and floating rate interest bearing financial instruments. Interest bearing instruments with fixed rate are accounted for at amortised cost. Changes in interest rates which will effect the assets fair value will therefore not result in a change in the books. Interest rate changes effect expected cash flow relating to floating rate instruments.

23.6.1 Interest rate sensitivity

In the analysis below the effects of 50 and 100 basis points decrease on P/L and equity are demonstrated.
The sensitivity analysis below have been determined based on the exposure to interest rates at the balance sheet date. The analyses is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. The analysis assume that all other variables, than basis points, are held constant. The sensitivity analysis does not take into account tax effects. A positive number below indicates an increase in profit and other equity. An increase in basis points would have an opposite impact on income statement and equity.

	2007		**2006**	
	50 bps	100 bps	50 bps	100 bps
Effects on P/L and equity	17.324	34.647	11.479	22.958

Notes to the Financial Statements

23.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables mainly consist of receivables from creditcard companies and therefore the credit risk is limited to the creditcard company but not to the customer.

The following table represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Maximum credit risk	
	2007	2006
Accounts receivable	3.058.543	2.239.316
Other receivables	1.759.155	768.604
Cash and cash equivalents	1.063.107	1.953.123
Market securities	16.316.411	0
	22.197.216	4.961.043

23.8 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. On a regular basis the Group monitors the liquidity balance, development and the effects of market environment. Special attention is given to maintain an adequate level of liquid assets to cover repayments of borrowings and interest payments. The Group prepares a liquidity analysis to keep track of expected timing of expected payments.

23.8.1 Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

2007	2008	2009	2010	Total
Non-interest bearing	7.607.317	0	0	7.607.317
Floating interest rate instruments	1.466.667	1.466.667	733.333	3.666.667
Fixed interest rate instruments	18.557.437	16.872	0	18.574.309
	27.631.421	1.483.539	733.333	29.848.293

Notes to the Financial Statements

2006	2007	2008	2009	Total
Non-interest bearing	2.679.073	0	0	2.679.073
Floating interest rate instruments	0	0	0	0
Fixed interest rate instruments	11.650.130	7.354.930	1.076.439	20.081.499
	14.329.203	7.354.930	1.076.439	22.760.572

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

2007	2008	2009	2010	Total
Non-interest bearing	4.817.698	0	0	4.817.698
Interest bearing	17.379.518	0	0	17.379.518
	22.197.216	0	0	22.197.216

2006	2007	2008	2009	Total
Non-interest bearing	3.007.920	0	0	3.007.920
Interest bearing	1.953.123	0	0	1.953.123
	4.961.043	0	0	4.961.043

24. Operating lease arrangements

24.1 The Group as lessee

	2007	2006
Payments recognised as an expense	425.077	154.263

26. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 19 March 2008.

27. Explanation of implementation of IFRS

In the transition from IS-GAAP to IFRS no difference between gaaps was identified in relation with opening balance. In relation with 2006 difference was identified in analysis of IS-GAAP and IFRS. Firstly in IAS 38 in R&D where the company fullfills the criteria of capitalization of R&D. Secondly in PPA where the company needs to relocate the excess price in accordance with IFRS 3 and thirdly stock options to employees, IFRS 2. No other material differences were identified.

Notes to the Financial Statements

Balance sheet January 1, 2006

Assets	According to IS-GAAP	Effects of IFRS Implementation	According to IFRS
Non-current assets			
Goodwill	0	0	0
Other intangible assets	0	0	0
Computers and equipment	872.537	0	872.537
Investments in subsidiaries	0	0	0
Deferred tax assets	1.873.296	0	1.873.296
	2.745.833	0	2.745.833
Current assets			
Goods for sale	62.722	0	62.722
Accounts receivables	999.620	0	999.620
Loans to subsidiaries	0	0	0
Other receivables	301.628	0	301.628
Bank deposits and cash	17.989	0	17.989
	1.381.959	0	1.381.959
Total assets	4.127.792	0	4.127.792
Stockholders´equity and liabilities			
Stockholders´equity			
Capital stock	126.103	0	126.103
Premium account of capital stock	285.805	0	285.805
Translation difference	0	0	0
Equity settled employee stock options	0	0	0
Retained earnings	-3.486.448	0	-3.486.448
Stockholders´equity	-3.074.540	0	-3.074.540
Liabilities			
Non-current liabilities			
Long-term bond	271.590	0	271.590
Provisions	0	0	0
	271.590	271.590	271.590
Current liabilities			
Liabilities to credit institution	2.736.209	0	2.736.209
Accounts payable	1.982.398	0	1.982.398
Current maturities of long-term liabilities	224.323	0	224.323
Other current liabilities	1.139.079	0	1.139.079
Deferred income	848.734	0	848.734
	6.930.742	6.930.742	6.930.742
Liabilities	7.202.332	7.202.332	7.202.332
Total stockholders´equity and liabilities	4.127.792	4.127.792	4.127.792

Notes to the Financial Statements

Balance sheet 31 Desember, 2006

Assets	According to IS-GAAP	Effects of IFRS Implementation	According to IFRS
Non-current assets			
Goodwill	2.007.196	2.250.356	4.257.553
Development cost		3.406.966	3.406.966
Other intangible assets	3.010.795	-2.086.963	923.832
Computers and equipment	1.898.759	0	1.898.759
Investments in subsidiaries	0	0	0
Deferred tax assets	462.443	-1.148.900	-686.457
	7.379.194	2.421.459	9.800.653
Current assets			
Goods for sale	2.183.421	415.283	2.598.704
Accounts receivables	2.239.316	0	2.239.316
Other receivables	768.604	0	768.604
Bank deposits and cash	1.953.123	0	1.953.123
	7.144.464	415.283	7.559.747
Total assets	14.523.658	2.836.743	17.360.400
Stockholders´equity and liabilities			
Stockholders´equity			
Capital stock	115.257	0	115.257
Premium account of capital stock	3.312.780	0	3.312.780
Translation difference	14.553	145.772	160.325
Equity settled employee stock options	0	347.582	347.582
Retained earnings	3.270.816	2.343.389	5.614.205
Stockholders´equity	6.713.406	2.836.743	9.550.149
Liabilities			
Non-current liabilities			
Long-term bond	117.658	0	117.658
Provisions	236.513	0	236.513
	354.171		354.171
Current liabilities			
Liabilities to credit institution	3.489.454	0	3.489.454
Accounts payable	1.368.634	0	1.368.634
Current maturities of long-term liabilities	162.575	0	162.575
Other current liabilities	1.310.439	0	1.310.439
Deferred income	1.124.978	0	1.124.978
	7.456.081	0	7.456.081
Liabilities	7.810.252	0	7.810.252

Notes to the Financial Statements

Income statement for the year 2006

	According to IS-GAAP	Effects of IFRS Implementation	According to IFRS
Subscription and sales revenue-EVE online	21.321.361	0	21.321.361
Other income	4.987.465	0	4.987.465
Salaries and related expenses	-6.966.215	1.996.319	-4.969.896
Network and service expenses	-1.115.968	0	-1.115.968
Marketing expenses	-2.967.446	0	-2.967.446
Other operating expenses	-5.872.638	1.037.010	-4.835.627
Depreciation	-779.779	-9.464	-789.243
Financial income	37.630	0	37.630
Finance cost	-577.699	0	-577.699
Profit before tax	8.066.710	0	11.090.575
Income tax for this year	-1.513.178	-599.624	-2.112.801
Profit for the year	6.553.532	2.424.242	8.977.774