

INTERIM REPORT

2nd Quarter 2006



August 11th, 2006

Quarterly Highlights

All figures NOK

- ❑ Operating revenues reached 10.6 million in the 2nd quarter 2006, down from 14.3 million in the 2nd quarter 2005. Excluding bulk orders in the 2nd quarter 2005, the 2nd quarter 2006 showed a 37% increase over the corresponding quarter last year
- ❑ EBITDA was 1.2 million as compared to 5.4 million in the 2nd quarter 2005
- ❑ Net profit ended at 2.6 million compared to 5.7 million in the 2nd quarter 2005
- ❑ Strong business with Siemens
- ❑ Strengthening of sales and project organizations
- ❑ Dolphin's new hardware technology, Dolphin Express, runs advanced lab demonstrations
- ❑ Italian Yellowpages, Pagine Gialle, obtains strong performance improvements with SuperSockets and MySQL
- ❑ Successful demonstration of SuperSockets on MySQL User Conference in Santa Clara, CA
- ❑ The P2S chip enters prototype production tooling

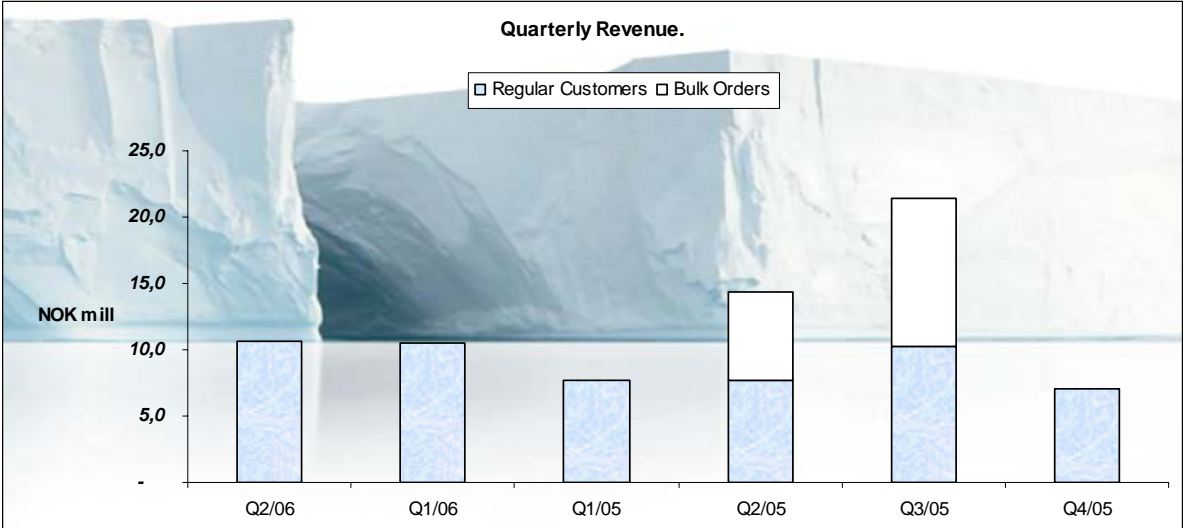
Summary of first quarter results

(Comparable figures for 2nd quarter 2005 in parenthesis)

Total operating revenues reached 10.6 million in the quarter, a decrease of 26% from the corresponding figure of 14.3 million in the second quarter last year. The decrease compared to last year is due to bulk deliveries of 6.6 million in the second quarter 2005. When excluding these bulk deliveries, the second quarter 2006 shows a solid 37% increase in regular income. This growth reflects continued strong orders from larger OEM customers. EBITDA margin ended at 12% in the quarter. This is down from the high margin of 38% in 2nd quarter last year as that figure is highly affected by the above mentioned bulk orders. For further comparison, this year's 2nd quarter EBITDA margin of 12% shows a sound increase from the 4% level

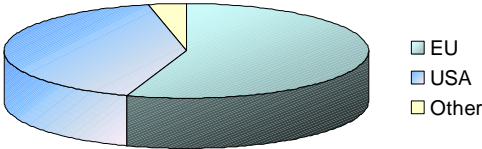
seen in the 1st quarter 2006 (Pension plan transition effects in the 1st quarter excluded). YTD 2006 operating revenue was 21.1 million, just short of last years operating revenue of 22 million for the first six months.

For quarterly comparison, the following diagram shows operating revenue for the last six quarters.

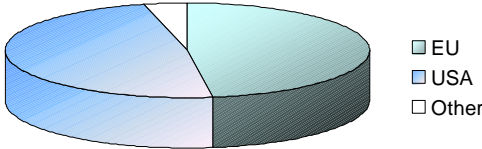


Operating profit (EBIT) ended at 1.1 million (5.4 million), and net profit was 2.6 million or NOK 0.31 per share (NOK 0.93). Income taxes are negative in the quarter as exceptional expenses related to the IPO and stock issues are deducted in the quarter. Going forward, Dolphin will remain in a non-taxable position as deferred tax assets amounts to 6.3 million at the end of the first six months of 2006.

Q2 2006 Geographic distribution of sales



Q1 2006 Geographic distribution of sales



Geographic distribution of sales, showing the increased relative importance of the € due to strong sales to Siemens Medical.

Equity and balance sheet items

Total equity in the company was 83.8 million, or 94% at the end of the first half year 2006, up from 21.4 million, or 70% last year. The equity increase totals 62.4 million, and is mainly explained by proceeds from the stock issue in April, where Dolphin raised 44.3 million in net equity. Also contributing to the increase was solid earnings in the period and the capitalization of 5.7 million in deferred income taxes in the fourth quarter 2005.

Cash and cash equivalents amounted to 56.7 million at the end of the second quarter 2006 (3.4 million). During the second quarter 2006 there was a net increase in cash and equivalents of 45.4 million. Apart from the net proceeds of 44.3 million from the stock issue and a pre tax profit of 1.4 million, changes in other operational items turned positive with 1.5 million. Capitalization of expenses related to new product development totalled 1.5 million in the quarter, a posting mandatory according to IFRS.

Financing and shareholders

Dolphin was listed on the Oslo Stock Exchange on April 20th. Prior to the listing, the company issues 2,850,000 new shares in an IPO. Total cost of the listing process and the IPO has been booked directly against proceeds of the issue, and amounts to 5.6 million. As of August 7th, the total number of shareholders in the company are 433 of which the 20 largest are included in the table below.

Shareholder	Number of shares	%
1. Selvaag Invest	1.023.783	11.44
2. Rowan Investments Ltd	877.189	9.80
3. Den Norske Krigsforsikring for Skib	749.881	8.38
4. Danske Fund Norge Vekst	432.048	4.83
5. Granada Forvaltning AS	325.082	3.63
6. MP Pensjon	228.702	2.55
7. KLP Liv	203.367	2.27
8. Granada Management AS	178.544	1.99
9. Lingjærde, Tor	169.000	1.89
10. Rasmussen, Alf	132.101	1.48
11. Legio AS	127.598	1.43
12. Fixdal, Jan Bjarne	125.930	1.41
13. Credit Suisse Securities	120.324	1.34
14. Hvistendal, Yngvar	102.180	1.14
15. Lectio AS	100.000	1.12
16. Eide, Odd	92.461	1.03
17. Pollex AS	91.876	1.03
18. Jasto AS	84.055	0.94
19. Nordea Avkastning	83.868	0.94
20. Sesam Invest	83.000	0.93
Total 20 largest shareholders	5.330.990	59.55
Other shareholders	3.621.351	40.45
Total outstanding shares	8.952.341	100.00

Financial calendar 2006

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

3rd quarter: October 27th 2006

4th quarter: February 14th 2007

Accounting principles

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

Markets and customers

Dolphin SuperSockets™ is a software package allowing seamless integration and performance enhancement for applications in the database server segment. Dolphin has worked with one significant server vendor on a performance demonstration of Oracle over SuperSockets. The technical work is a success and all demonstrations that the partner has been asking for is now running with excellent performance results. The commercial discussion with this partner will start shortly.

SuperSockets was presented at the MySQL User Conference held in Santa Clara, California in April. The capabilities of SuperSockets created significant interest in the forum and important business contacts were developed. In the conference, the Italian company Pagine Gialle, (Yellow Pages) presented a performance test on their online application showing significant improvement of performance with Dolphin's cards and SuperSockets. Together with the results from the ticketing application in the UK realized by CapGemini this establishes SuperSockets as a great solution for MySQL customers.

The business with Siemens in Germany has been very high in the last months. This is due to strong sales of Siemens' medical CT scanner, the Siemens Somatom Sensation 64, as shown on the picture to the right. Siemens is in the process to expand the market for this product.



The business with Philips Medical for its ultrasound products will continue through September 2006. Dolphin and Philips are currently negotiating the maintenance phase of the contract. Through September 2006 Dolphin will have delivered 16 000 cards to Philips, and the total business will have reached 6 million USD since first shipment in September 2001.

Carnation is Dolphin's long time partner for deliveries to the Chinese market. Carnation and Dolphin are working with LangChao, a major server vendor in China that is interested in using SuperSockets for Oracle applications with its customers, and sales and support training has recently been completed by Dolphin staff. Carnation is working very actively on several highly interesting projects in China and does some complementary development for Dolphin's product base that are important for the Chinese market. These activities include an optical transmission system and reflected memory simulation software.

Dolphin's sale force was strengthened in July, as Ian Gilbert signed as agent in the UK and Ireland and Thomas VanAntwerp was hired to complement the US branch with sales activities in Eastern USA and Canada. They will both focus on business development for SuperSockets in the Server market.

Products and technology

P2S

The P2S project is an activity to port the two main Dolphin chips, LC3 and PSB66 into one chip of modern and more cost effective technology. Dolphin has chosen LSI Logic's RapidChip technology for this project. The technology has proven to be very well suited for the product and the project had very good progress. The development and simulation of the design is now completed from Dolphin's side and the chip has now entered the prototype production cycle with LSI Logic. The shipping of P2S based products will bring revenue from the first quarter 2007.

NumaChip

Dolphin is happy to announce that Per Moen has been hired as project leader for the NumaChip team. Per has more than 15 years experience as a leader for technical teams and departments in different companies in the computer and electronics business. The NumaChip project will be aggressively driven forward in order to minimize time to market.

Dolphin Express

Dolphin has developed technology for direct connection of systems via PCI Express. PCI Express is the new IO standard complementing PCI and present in most computers that are delivered today. Dolphin's technology makes it possible to utilize all of Dolphin's multiprocessing technology directly on PCI Express and is an important road-map element for SuperSockets. Dolphin Express offers the Supersockets customers a future seamless move to new hardware technology from Dolphin.

Corporate priority and outlook

Corporate focus in Dolphin is to manage the strategic transition from a niche oriented player to a forceful computer corporation with state of the art products for the mass server market.

Dolphin's has strengthened its sales and marketing capabilities towards the server market and is in the process of getting a position in this market with SuperSockets as a first step against becoming an important vendor of interconnect technology to this market. The server market is considerably larger and is a very large opportunity for Dolphin and it demands a very strong and focused sales action now to get started.

Important road-map elements include

1. Build up of effective SuperSockets roll-out in volume channels
2. Minimize time to market for NumaChip
3. Maximize existing business and seek acquisitions and alliances to widen market presence and pave the ground for server market entry

The Board of Directors , Dolphin Interconnect Solutions ASA
Oslo, August 11th 2006

Dolphin Interconnect Solutions Group

Income Statement

	Q2 / 06	Q2 / 05	YTD 06	YTD 05	Full year 2005
OPERATING REVENUES					
Sales	10 441 885	14 287 857	20 762 048	21 818 821	49 426 396
Other operating revenue	131 300	1 055	348 587	169 152	996 600
TOTAL OPERATING REVENUE	<u>10 573 185</u>	<u>14 288 912</u>	<u>21 110 635</u>	<u>21 987 973</u>	<u>50 422 996</u>
OPERATING EXPENSES					
Cost of goods sold	4 755 390	4 920 042	9 478 593	8 308 174	18 246 211
Payroll expenses	2 191 773	1 371 443	3 171 345	3 610 510	9 321 430
Other operating expenses	2 399 312	2 556 046	4 969 727	4 819 276	10 982 780
TOTAL OPERATING EXPENSES	<u>9 346 475</u>	<u>8 847 531</u>	<u>17 619 664</u>	<u>16 737 960</u>	<u>38 550 421</u>
EBITDA	<u>1 226 710</u>	<u>5 441 381</u>	<u>3 490 971</u>	<u>5 250 013</u>	<u>11 872 575</u>
Depreciation	81 660	2 722	162 050	5 436	10 902
OPERATING PROFIT (EBIT)	<u>1 145 050</u>	<u>5 438 659</u>	<u>3 328 921</u>	<u>5 244 577</u>	<u>11 861 673</u>
NET FINANCIAL PROFIT	<u>220 476</u>	<u>252 929</u>	<u>258 881</u>	<u>177 923</u>	<u>1 731 062</u>
PROFIT BEFORE TAXES	<u>1 365 526</u>	<u>5 691 588</u>	<u>3 587 802</u>	<u>5 422 500</u>	<u>13 592 735</u>
Income taxes	-1 250 788	2 274	-606 774	4 509	-5 703 405
NET PROFIT	<u>2 616 314</u>	<u>5 689 314</u>	<u>4 194 576</u>	<u>5 417 990</u>	<u>19 296 140</u>
Avg.no. of shares outstanding	8 325 967	6 102 341	7 220 297	6 102 341	6 102 341
Net profit per share	0,31	0,93	0,58	0,89	3,16

Dolphin Interconnect Solutions Group

Balance Sheet

ASSETS	30.06.2006	30.06.2005	31.12.2005
NON-CURRENT ASSETS			
Capitalized development cost	11 239 135	4 790 986	7 391 478
Deferred income tax assets	6 319 349	0	5 712 575
Operating equipment	66 711	34 280	29 869
Other long term receivables	<u>2 182</u>	<u>78 421</u>	<u>2 369</u>
TOTAL NON-CURRENT ASSETS	<u>17 627 377</u>	<u>4 903 687</u>	<u>13 136 291</u>
CURRENT ASSETS			
Inventories	6 843 017	6 888 115	7 516 453
Trade receivables	3 921 810	10 785 090	2 435 399
Other short term receivables	4 309 508	4 430 372	3 757 437
Cash and cash equivalents	<u>56 707 412</u>	<u>3 397 187</u>	<u>19 015 579</u>
TOTAL CURRENT ASSETS	<u>71 781 747</u>	<u>25 500 764</u>	<u>32 724 868</u>
TOTAL ASSETS	<u>89 409 124</u>	<u>30 404 451</u>	<u>45 861 159</u>
EQUITY AND LIABILITIES			
EQUITY			
Subscribed equity			
Share capital	2 075 468	610 234	610 234
Share premium fund	<u>43 756 951</u>	<u>928 551</u>	<u>928 551</u>
Total subscribed equity	<u>45 832 419</u>	<u>1 538 785</u>	<u>1 538 785</u>
Retained equity			
Retained earnings	<u>37 949 401</u>	<u>19 879 325</u>	<u>33 763 147</u>
Total retained equity	<u>37 949 401</u>	<u>19 879 325</u>	<u>33 763 147</u>
TOTAL EQUITY	<u>83 781 820</u>	<u>21 418 110</u>	<u>35 301 932</u>
NON CURRENT LIABILITIES			
Other long-term liabilities	996 493	1 180 288	1 227 380
Pension obligations	<u>0</u>	<u>1 680 571</u>	<u>1 846 194</u>
TOTAL NON CURRENT LIABILITIES	<u>996 493</u>	<u>2 860 859</u>	<u>3 073 574</u>
CURRENT LIABILITIES			
Trade payables	2 479 384	4 406 868	4 106 073
Public duties payable	740 947	605 146	726 453
Other current liabilities	<u>1 410 480</u>	<u>1 113 468</u>	<u>2 653 127</u>
TOTAL CURRENT LIABILITIES	<u>4 630 810</u>	<u>6 125 482</u>	<u>7 485 653</u>
TOTAL EQUITY AND LIABILITIES	<u>89 409 124</u>	<u>30 404 451</u>	<u>45 861 159</u>

Dolphin Interconnect Solutions Group

Cash Flow Statement / Change in Equity

CASH FLOW STATEMENT	Q2 / 06	Q2 / 05	YTD 06	YTD 05	Full year 2005
Cash Flow from Operations					
Operating result before tax	1 365 526	5 691 588	3 587 802	5 422 500	13 592 735
Depreciation	81 660	2 722	162 050	5 436	10 902
Changes in inventories	565 518	-564 478	673 436	498 897	-129 441
Changes in receivables	177 734	-5 334 946	-1 486 411	-4 844 446	3 505 245
Changes in trade payables	460 359	3 035 944	-1 626 689	1 568 154	1 267 358
Changes in other current assets/debt items	184 428	-1 193 076	-3 610 114	-2 170 400	195 674
Net Cash Flow from Operations	<u>2 835 225</u>	<u>1 637 754</u>	<u>-2 299 926</u>	<u>480 140</u>	<u>18 442 473</u>
Cash Flow from Investments					
Purchase of operating equipment	-22 212	0	-43 997	0	0
Purchase of intangible assets	-1 471 632	-1 109 365	-4 002 552	-2 079 523	-4 680 015
Net Cash Flow from Investments	<u>-1 493 844</u>	<u>-1 109 365</u>	<u>-4 046 549</u>	<u>-2 079 523</u>	<u>-4 680 015</u>
Cash Flow from Financial Activities					
Payment of long term liabilities	-195 765	-130 194	-230 887	-334 660	-83 102
Paid in capital	44 293 634	0	44 293 634	0	0
Net Cash Flow from Financial Activities	<u>44 097 869</u>	<u>-130 194</u>	<u>44 062 747</u>	<u>-334 660</u>	<u>-83 102</u>
Net change in cash and equivalents	45 439 250	398 195	37 716 273	-1 934 043	13 679 356
Foreign currency effect on cash	-16 768	8 912	-24 440	52 414	57 407
Opening balance, cash and equivalents	11 284 930	2 990 080	19 015 579	5 278 816	5 278 816
Closing balance, cash and equivalents	<u>56 707 412</u>	<u>3 397 187</u>	<u>56 707 412</u>	<u>3 397 187</u>	<u>19 015 579</u>
CHANGE IN EQUITY	Q2 / 06	Q2 / 05	YTD 06	YTD 05	Full year 2005
Equity opening balance	36 876 573	15 717 347	35 301 932	15 964 833	15 964 833
Paid in capital	49 875 000	0	49 875 000	0	0
Cost	-5 581 366	0	-5 581 366	0	0
Currency converting effect	-4 701	11 449	-8 322	35 287	40 959
Net profit	2 616 314	5 689 314	4 194 576	5 417 990	19 296 140
Equity closing balance	<u>83 781 820</u>	<u>21 418 110</u>	<u>83 781 820</u>	<u>21 418 110</u>	<u>35 301 932</u>