



Quarterly Highlights

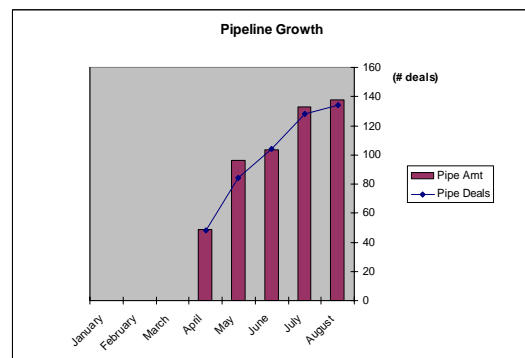
All figures NOK

- ❑ Dolphin Express business expands; growth in number of customers, unit shipments, selling partners, contributes 10% of total revenue in Q2
- ❑ Total Q2 revenue equals 5.8 million; gross margins at 74% (adjusted)
- ❑ Legacy StarFabric and SCI product businesses down seasonally
- ❑ Numascale subsidiary established, achieves important development milestones
- ❑ Numascale separate funding in process, exclusive offer to Dolphin shareholders for preferred access to first funding round
- ❑ Reduced cost base in remaining Dolphin; target is NOK 7 million/quarter.
- ❑ 5.8M shares issued in private placement raising 12.6 million, received in July

Dolphin Express business expands

The Dolphin Express product line, Dolphin's growth engine for the future, met its 1H targets established in 2007. Although on a positive trajectory, the rate of revenue growth going into 2H is behind initial plans. This is due to longer sales and evaluation cycles at several of the largest customers as well as longer training cycles with partners. Additionally, OEM-partnerships which are critical for achieving projected revenue plans are still in the early stages. Q2 saw continued momentum in terms of new customers, total unit shipments, product revenue, and number of sales channel partners.

Prospects for continued growth in the product line were reinforced with a large increase in the number of prospective customers progressing through the sales process ("pipeline"). The number of prospects in the sales pipeline was 125% larger at the end of Q2 compared with Q1 with a greater percentage of late stage deals. Demand generation activities resulted in a 50% growth in new leads during the quarter.



New customers in Q2 represented applications in a wide range of areas including on-line services (ie, gaming, banking, etc.), large-scale visualization, simulation, research, and mobile telecom services. Revenue increased over 100% within the product line and contributed 10% of the total company revenue in the quarter, up from 2% in Q1 and 0% in Q2 of 2007.

Several additional resellers were added in the US including MCPc, Wayside Technology Group and PUi, who will join previously signed Network Allies and Add-on data. Six additional resellers are in process worldwide. MCPc and Wayside are each large resellers with regional offices throughout the US. They do several \$100M a year in revenue and have extensive sales forces.

OEM engagements are underway across a range of applications including standard server and storage systems as well as in more classic embedded systems in industrial and government applications. Sample OEM engagements include Agilent, EMC, Sun, CAE, and Teligent.

Continued enhancements to the Dolphin Express product line have also been delivered. New

Dolphin Express

The Dolphin Express products are designed to address the compute power demands of the volume Internet and mobile services markets. This large and growing market is an ideal fit for the performance leadership of Dolphin's technology. Dolphin Express is used to connect multiple computers together to create powerful database platforms. These platforms are the core compute resources for driving Internet commerce, web content, and mobile/telecom services. Computer systems that provide content on the web and mobile networks drive a \$1B annual computer interconnect market opportunity. Benchmark results prove that systems built with Dolphin Express interconnect achieve the industry's best price/performance and provide customers with the best return on their investment.

*"The expanded **Dolphin Express** offering shows great benchmark results for both clustered and non-clustered MySQL configurations -- further underscoring MySQL's strength as the database-of-choice for high-volume Web sites and other online applications."*

Zack Urlocker, VP Database Group, Sun Microsystems

*"This impressive [Oracle] benchmark further illustrates ... the powerful combination of HP ProLiant servers and a low latency interconnect such as those provided by **Dolphin Express**."*

Todd Mattershead, Group Manager, ProLiant Development, Hewlett-Packard

releases of the Dolphin Express software support performance improvements in single server and non-cluster configurations. Improvements in performance on a single node with multi-core processors have been measured at 7 times faster than using Ethernet. Single node and non-clustered applications open up new revenue opportunities for the Dolphin Express hardware and software and complement their initial focus on clustered applications.

Developments in Q2 show positive momentum for Dolphin Express but indicate market development will take some additional time.

Legacy StarFabric and SCI business

The legacy business saw larger than anticipated decline in both StarFabric and SCI in the quarter and quarter-over-quarter revenue growth was not achieved. However, the first half of 2008 in aggregate showed modest growth over the last half of 2007, in line with targets established last year. Booking rates indicate a firming of demand for these products in Q3.

StarFabric revenue was weak in Q2, but the slow down appears to be temporary. The product line is continuing to close new design wins and Q3 bookings are significantly stronger. Its revenue contribution in 2009 is projected to be equal with that of 2008 with some material upside potential. The SCI business was predominantly impacted by a slowing of order rate from a major OEM. The order rate has picked up in Q3 but the revenue contribution of this product line will continue to decline over the next several quarters.

Numascale subsidiary

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

An initial private placement of shares in Numascale AS is currently being offered with preferential access to existing Dolphin shareholders as of August 14th 2008. A prospectus for this offering has been published and the subscription period will end on 1 September 2008. Only 1.45M shares will be offered at a price of 6.9 NOK per share. The share price reflects a pre-offering value of Numascale of approximately NOK 15 million. The Board believes the offer price to shareholders represents a very attractive opportunity to participate directly in Numascale's upside opportunity.

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

The company is engaged with a number of high profile potential customers within the high performance computing and high-end server markets. Additionally, it anticipates achieving the important milestone of physical prototype demonstration in Q3 and is on track for first customer sample delivery in Q1 2009. Validation of customer interest continues to grow with a number of commitments for evaluation of first samples. Numascale is working in collaboration with Siemens, AMD and IBM to bring the NumaChip to market. AMD will assist with availability of evaluation systems and marketing programs.

Additional funding after this offering will be sought from Norwegian and international venture investors as well as industrial partners and investors if required.

Dolphin will consolidate Numascale in the group accounts as long as the ownership share remains above 50%.

New cost structure lowers break-even threshold

With the separation of the Numascale business, the Dolphin Express business will have less than half the historical cost base and a significantly reduced cash usage. The company is now implementing additional cost reductions in 2H 2008, targeting a cost base of only NOK 7 million quarterly vs. a cost base of NOK 17 million on a consolidated basis prior to the restructuring.

Financial Review – 2nd Quarter Results (2nd Quarter 2007 in parenthesis)

Sales reached 5.8 million in the 2nd Quarter 2008, a decrease of 26% from the 2nd Quarter 2007 (7.8 million). Adjusted for the lower USD, the 2nd Quarter declined 22% compared to the 2nd Quarter of 2007. The decline is mainly due to significantly lower sales of SCI products and StarFabric. The decline is expected to be partly reversed in Q3. For the first 6 months of 2008 total revenues was 14.1 million. This is at the same level as last year (14.1 million).

Gross margin averaged 71% in the 2nd Quarter 2008, well above Q2 2007 (63%). Adjusted for a write down of 0.2 million on inventory related to the P2S chip and older components, gross margin was 74% in the second Quarter. For the first 6 months 2008 the average gross margin was 71%.

Payroll expenses were 5.8 million in the 2nd Quarter (4.9 million) and 13.1 million YTD (10.6 million). The increase in payrolls compared to last year is partly explained by the consolidation of the former StarGen organization which was consolidated as from February 16, 2007. Other operating expenses ended at 4.1 million in Q2 2008 (4.1 million).

EBITDA ended at -5.9 million in the 2nd Quarter compared to -4.2 million in the same Quarter last year.

In Q2 the company started the depreciation of the capitalized development cost related to the acquisition of StarGen. Depreciation is therefore at a significantly higher level than earlier. Depreciation for the quarter totals 2.4 million whereof 1.6 million is related to excess values from the acquisition and reduction in goodwill/deferred tax liabilities.

During the second Quarter Dolphin resolved to put the development of the SCI based P2S chip on hold. The decision reflects the prioritisation of the PCI Express hardware. The development of this chip may be continued in the future. Capitalized development cost of 3.8 million relating to the P2S has therefore been written off in the 2nd Quarter 2008. In addition, a write off of 6,8 million has been booked in connection with the transfer of the assets related to the NumaChip to Numascale AS. The write off arises as a result of the difference between the booked value of NumaChip prior to the transfer and the sales price of the NumaChip assets in the transfer to Numascale AS.

Operating profit (EBIT) ended at -18.9 million of which depreciation and write off constitute 13.1 million. Adjusted for the write off, EBIT ended at -8.3 million compared to -4.7 last year. Net financial profit was -0.3 million in the second quarter (0.3 million), and includes a net loss on foreign currency of 0.3 million, which is mainly related to a lower USD. Profit before taxes ended at -19.2 million in the 2nd Quarter (-4.4 million) and at -25.7 million for the first 6 months (-9.8 million). Net profit ended at -18.9 million in the Quarter compared to -3.2 million last year. Dolphin does not book negative taxes due to operational losses as deferred tax assets are not currently capitalized. The negative taxes of -0.3 million in the 2nd Quarter refers to the reversal of the deferred income tax liability corresponding to depreciation of goodwill.

The sale of the NumaChip assets to Numascale AS in August 2008 will represent taxable income for Dolphin as Dolphin claims tax deduction on development expenses as they incur. This tax charge will be written off against off balance sheet tax loss carry forward and have no cash effect.

Equity, balance sheet and cash flow items

As of June 30th 2008 the group has approximately 16.6 million of un-recognized deferred income tax assets, with the addition of 9.7 million of recognized tax assets.

Total equity in the Group was 85.9 million or 83% at the end of the 2nd Quarter (93%).

In the 2nd Quarter, total development cost of 6.9 million has been capitalized. Of this, about 5.2 million is related to the NumaChip project. In 2008 the development activity on the NumaChip project is high as the project is in the final stages before hand off to IBM for the production of prototypes. From July 1 the development cost will be carried by Numascale AS.

Apart from NumaChip, most other development projects will now enter the vesting period and be depreciated going forward. At the end of the second Quarter, capitalized development cost totalled 62.7 million (52.3 million) of which 33.7 million constitutes excess values from the acquisition of StarGen. Year to date, purchase of intangible assets amounted to as much as 12.9 million of which 9.4 million has been invested in Numachip.

After the restructuring in June and the transfer of the activities related to NumChip to Numascale, Dolphin will mainly focus on software and board development for the PCI Express products, and investments in intangible assets will thus be at a significantly lower level.

Net cash flow from operations was -4.6 million in the Quarter (-5 million). About 2.1 million was invested in inventories, mainly PCI Express products in the US. Change in trade payables and trade receivables contributed positively by 4.8 million in the second Quarter after a negative change of 4.5 million in the first Quarter. For the full half year 2008 the change was 0.3 million. Change in other current assets and debt items were -1.2 million in the Quarter.

Net change in cash and equivalents amounted to -11.5 million in the second quarter 2008 vs. -10.4 million last year and -15.6 million in the first Quarter this year. For the first half year 2008, net change in cash was -27.1 million (22.5 million). Cash at the end of June 2008 was 5.5 million prior to the receipt of 12.6 million in proceeds in July 2008 from a private placement of stock executed in the beginning June 2008.

Financing and shareholders

Dolphin issued 5.8 million shares at 2.30 per share in a private placement to 40 subscribers on June 5, 2008, for net proceeds of 12.6 million received in July. Subsequent to the private placement, the board directed a repair issue to shareholders that were not offered to take part in the private placement. A prospectus covering the listing of the new shares as well as the offer under the repair issue was filed with the OSE. Net proceeds from the private placement was 12.6 million whereas the repair issue closed with no subscriptions due to a lower subscription price in the issue than on the exchange.

On June 26 2008 Dolphin announced the establishment of Numascale AS as a wholly owned subsidiary. All employees engaged in the development of NumaChip were transferred as of June 26 whereas the assets were effectively transferred as of August 13, 2008.

The shareholders in Dolphin registered as of August 14th 2008 will be given a preferred opportunity to purchase shares in an initial offering of only 1.45 million shares. The price per share will be 6.90, pricing the entire company at only 15 mill in total. The company has 3.1 million in cash as of June 30th and the price of the technology and competence is thus significantly lower than the investments made by Dolphin over the last 2 years. The know-how behind the current implementation of the technology (NumaChip) has taken many years and forms part of the core competence base that Dolphin originally was founded upon.

Board member Monica Myklebust Øyen has asked to be relieved from her duties for personal reasons, and the Board of Directors have therefore elected Randi Hestnes to replace her as member of the Board. (Suppleringsvalg) The election will be confirmed in the next ordinary shareholders meeting.

As of August 15th, Dolphin had 709 shareholders of which the 20 largest are included in the table below.

Shareholder	No of shares	% Ownership
1 SELVAAG INVEST	2 175 450	9,6 %
2 ZONCOLAN ASA	1 900 000	8,4 %
3 HEKTOR AS	1 300 000	5,7 %
4 CITIGROUP GLOBAL MARKETS INC.	1 100 586	4,9 %
5 MP PENSJON	1 053 702	4,6 %
6 PUNTE HOLDING AS	970 000	4,3 %
7 MORGAN STANLEY & CO INC	964 966	4,3 %
8 FRANS ENGER A/S	900 000	4,0 %
9 SJØINVEST AS	750 000	3,3 %
10 DEN NORSKE KRIGSFORSIKRING FOR	749 881	3,3 %
11 ORION ABSOLUTT AS	670 670	3,0 %
12 ELLENES	373 500	1,6 %
13 L GILL-JOHANNESSEN AS	308 127	1,4 %
14 SOLVANGEN MARINA AS	300 000	1,3 %
15 ALTEA PROPERTY DEVELOPMENT A/S	279 598	1,2 %
16 SIGURD OLSVOLD AS	223 225	1,0 %
17 DRAGE INDUSTRIES AS V/ARNE STEEN	200 000	0,9 %
18 JASTO A/S	184 055	0,8 %
19 RASMUSSEN	182 102	0,8 %
20 FALKUM INVEST A/S	165 000	0,7 %
Total 20 largest	14 750 862	65,1 %
Other shareholders	7 920 249	34,9 %
Total outstanding no of shares	22 671 111	100,0 %

Accounting principles

Dolphin Interconnect Solutions ASA 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 2007.

Outlook

Greater than anticipated softness in the legacy business contributed to a weak Q2 and will impact overall revenue achievement for the year. Although legacy order rate has been stronger in Q3 the overall trend is anticipated to remain negative throughout the year. The fundamentals of the Dolphin Express market introduction are positive and continued momentum growth is anticipated but will not fully compensate for the legacy product declines. Additionally, the rate of Dolphin Express revenue growth is behind initial plans due to longer sales and evaluation cycles and sales partner training cycles than originally anticipated. Because of the accelerated legacy product decline and somewhat slower growth of Dolphin Express the total year revenue may not achieve a doubling of the 2007 revenue as originally targeted.

With the separation of the Numascale business, going forward the Dolphin Express business will have half the historical cost base and therefore a significantly reduced cash usage. With dramatically reduced operating cost and lower development expenses the Dolphin Express cost base is reduced by about 50% before consolidating the new subsidiary. In addition further reductions in operating cost will be implemented in order to reach break even in the shortest possible time.

Risk Factors in the 2nd half of 2008

Dolphin Express is Dolphin's growth engine for the future. Q2 saw continued momentum in terms of new customers, total unit shipments, product revenue, and number of sales channel partners. The total revenue contribution from the product line is however still at a relatively low level, and further reduction in sales of SCI based products and StarFabric may outweigh the growth in Dolphin Express in future periods.

Although cash utilization has been reduced prior to consolidation of the newly established Numascale subsidiary, Dolphin will need to see a further growth in product revenue in order to generate cash from operations. Thus there is a potential need for further funding of operations in the second half of 2008. The company is listed on the Oslo stock exchange and a lower stock price and weaker market conditions may increase the overall funding risk in the company.

A further and more detailed description of other risk factors can be found in the annual report for 2007.

Transaction with related parties

Dolphin has not taken part in any significant transactions with related parties in the first half of 2008. Neither have there been any changes to the policy of transactions with related parties as described in the Annual Report for 2007.

Statement of responsibility

We confirm, to the best of our knowledge, that the interim consolidated financial statements for the period January 1 to June 30, 2008, has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.



Ole Henrik Eide
(Chairman)



Alf Rasmussen



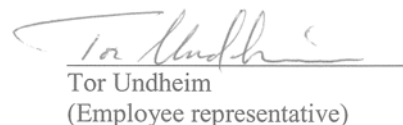
Marit Døving



Tor Alfheim



Randi Hestnes



Tor Undheim
(Employee representative)

Dolphin Interconnect Solutions Group

Income Statement

	Q2 / 08	Q2 / 07	YTD 08	YTD 07	Full year 2007
OPERATING REVENUES					
Sales	5 782 381	7 775 535	14 078 231	14 074 533	27 333 762
TOTAL OPERATING REVENUE	5 782 381	7 775 535	14 078 231	14 074 533	27 333 762
OPERATING EXPENSES					
Cost of goods sold	1 698 129	2 908 438	4 093 301	5 344 756	9 814 806
Payroll expenses	5 827 339	4 934 008	13 130 601	10 593 045	25 114 756
Other operating expenses	4 112 616	4 084 566	7 925 589	7 401 240	16 117 658
TOTAL OPERATING EXPENSES	11 638 084	11 927 012	25 149 491	23 339 041	51 047 220
EBITDA	-5 855 704	-4 151 477	-11 071 261	-9 264 508	-23 713 458
Depreciation	2 398 433	563 818	2 939 685	1 006 439	2 415 697
Write off	10 676 139	0	10 676 139	0	0
OPERATING PROFIT (EBIT)	-18 930 275	-4 715 295	-24 687 084	-10 270 947	-26 129 155
NET FINANCIAL PROFIT	-282 726	302 939	-607 432	516 281	-88 897
PROFIT BEFORE TAXES	-19 213 002	-4 412 356	-25 294 517	-9 754 666	-26 218 052
Income taxes	-342 148	-1 239 958	-333 820	-4 208 411	4 809
NET PROFIT	-18 870 854	-3 172 398	-24 960 697	-5 546 255	-26 222 861
Avg.no. of shares outstanding	16 871 111	11 483 110	16 871 111	10 644 181	11 200 638
Net profit per share	-1,12	-0,28	-1,48	-0,52	-2,34

Dolphin Interconnect Solutions Group

Balance Sheet

ASSETS	30.06.2008	30.06.2007	31.12.2007
NON-CURRENT ASSETS			
Goodwill	8 277 023	0	0
Capitalized development cost	62 661 604	52 295 709	62 947 211
Deferred income tax assets	9 710 424	13 923 644	9 710 424
Operating equipment	465 184	1 605 211	925 694
Other long term receivables	<u>0</u>	<u>952 230</u>	<u>284 359</u>
TOTAL NON-CURRENT ASSETS	<u>81 114 235</u>	<u>68 776 793</u>	<u>73 867 688</u>
CURRENT ASSETS			
Inventories	10 346 169	11 016 150	9 034 552
Trade receivables	3 036 866	3 601 896	3 627 865
Other short term receivables	3 312 509	5 142 217	1 379 355
Cash and cash equivalents	<u>5 466 449</u>	<u>25 758 049</u>	<u>32 664 426</u>
TOTAL CURRENT ASSETS	<u>22 161 993</u>	<u>45 518 311</u>	<u>46 706 198</u>
TOTAL ASSETS	<u>103 276 228</u>	<u>114 295 105</u>	<u>120 573 886</u>
EQUITY AND LIABILITIES			
30.06.2008			
30.06.2007			
31.12.2007			
EQUITY			
Subscribed equity			
Share capital	3 374 222	2 296 622	3 374 222
Share premium fund	<u>101 016 473</u>	<u>78 460 409</u>	<u>101 051 836</u>
Total subscribed equity	<u>104 390 695</u>	<u>80 757 031</u>	<u>104 426 058</u>
Retained equity			
Retained earnings	<u>-18 527 638</u>	<u>25 072 055</u>	<u>5 467 165</u>
Total retained equity	<u>-18 527 638</u>	<u>25 072 055</u>	<u>5 467 165</u>
TOTAL EQUITY	<u>85 863 057</u>	<u>105 829 086</u>	<u>109 893 223</u>
NON CURRENT LIABILITIES			
Deferred income tax liability	8 277 023	0	0
Other long-term liabilities	<u>535 067</u>	<u>577 828</u>	<u>561 389</u>
TOTAL NON CURRENT LIABILITIES	<u>8 812 090</u>	<u>577 828</u>	<u>561 389</u>
CURRENT LIABILITIES			
Trade payables	6 570 488	5 647 132	6 871 413
Public duties payable	944 563	499 893	1 219 247
Other current liabilities	<u>1 086 030</u>	<u>1 741 166</u>	<u>2 028 614</u>
TOTAL CURRENT LIABILITIES	<u>8 601 081</u>	<u>7 888 191</u>	<u>10 119 274</u>
 TOTAL EQUITY AND LIABILITIES	 <u>103 276 228</u>	 <u>114 295 105</u>	 <u>120 573 886</u>

Dolphin Interconnect Solutions Group

Cash Flow Statement / Change in Equity

CASH FLOW STATEMENT	Q2 / 08	Q2 / 07	YTD 08	YTD 07	Full year 2007
Cash Flow from Operations					
Operating result before tax	-19 213 002	-4 412 356	-25 294 517	-9 754 666	-26 218 052
Depreciation & write off	13 074 572	563 818	13 615 824	1 006 439	2 415 697
Changes in inventories	-2 118 711	1 280 227	-1 348 877	279 938	2 261 536
Changes in receivables	2 000 304	664 429	466 083	-1 837 237	-1 863 206
Changes in trade payables	2 816 950	-852 027	-165 785	832 783	2 057 064
Changes in other current assets/debt items	-1 189 412	-2 293 635	-1 420 875	-1 859 286	4 825 255
Net Cash Flow from Operations	-4 629 298	-5 049 544	-14 148 148	-11 332 029	-16 521 706
Cash Flow from Investments					
Purchase of operating equipment	0	-73 127	-19 005	-1 786 432	-1 935 827
Purchase of intangible assets	-6 885 312	-5 165 501	-12 855 311	-43 997 155	-20 348 729
Net Cash Flow from Investments	-6 885 312	-5 238 627	-12 874 316	-45 783 586	-22 284 556
Cash Flow from Financial Activities					
Payment of long term liabilities	-3 808	-151 204	-26 322	-305 923	-322 362
Issue of shares	0	0	-35 363	34 924 612	23 669 027
Net Cash Flow from Financial Activities	-3 808	-151 204	-61 685	34 618 689	23 346 665
Net change in cash and equivalents	-11 518 418	-10 439 375	-27 084 149	-22 496 926	-15 459 597
Foreign currency effect on cash	-4 468	-56 739	-113 828	-298 267	-429 219
Opening balance, cash and equivalents	16 989 335	36 254 163	32 664 426	48 553 242	48 553 242
Closing balance, cash and equivalents	5 466 449	25 758 048	5 466 449	25 758 048	32 664 426

CHANGE IN EQUITY	Q2 / 08	Q2 / 07	YTD 08	YTD 07	Full year 2007
Equity opening balance	104 426 524	108 541 299	109 893 223	75 714 025	75 714 025
Issue of shares	0	0	0	34 924 612	59 880 866
Cost of issue of shares	0	0	-35 363	0	-1 287 227
Option granted to employees	296 829	619 753	777 703	929 630	2 175 116
Currency converting effect	10 558	-159 568	188 191	-192 926	-366 696
Net profit	-18 870 854	-3 172 398	-24 960 697	-5 546 255	-26 222 861
Equity closing balance	85 863 058	105 829 086	85 863 058	105 829 086	109 893 223