

WOLFSON MICROELECTRONICS plc
Second quarter and first half results to 5 July 2009

Wolfson Microelectronics plc (“Wolfson” or “the Company”), a leading supplier of mixed-signal semiconductors for consumer electronic products, announces its financial results for the second quarter and half year ended 5 July 2009.

Q209 sales grow over 30% sequentially, cash balance grows to over \$100m

Key financials for the second quarter 2009:

- Revenue growth of 32% over Q1 2009
- Revenue \$33.2m (Q2 2008: \$53.9m)
- Gross margin of 50.5% (Q2 2008: 51.7%)
- Adjusted operating loss* of \$1.2m (Q2 2008: \$6.7m profit)
- Operating loss of \$2.4m (Q2 2008: \$5.5m profit)
- Operating cash inflow of \$4.9m (Q2 2008: \$4.5m)
- Adjusted diluted loss per share* of 0.6 cents (Q2 2008: 4.4 cents earnings)
- Diluted loss per share of 1.3 cents (Q2 2008: 3.7 cents earnings)

Key financials for the first half 2009:

- Revenue \$58.4m (H1 2008: \$100.3m)
- Gross margin of 50.4% (H1 2008: 51.8%)
- Adjusted operating loss* of \$5.1m (H1 2008: \$10.4m profit)
- Operating loss of \$7.7m (H1 2008: \$7.9m profit)
- Operating cash inflow of \$10.9m (H1 2008: \$0.4m outflow)
- Adjusted diluted loss per share* of 2.7 cents (H1 2008: 7.0 cents earnings)
- Diluted loss per share of cents of 4.3 cents (H1 2008: 5.5 cents earnings)
- Net cash balance at 5 July 2009 of \$100.7m (29 June 2008: \$84.8m), with no debt

Operating highlights:

- Good progress on Wolfson AudioPlus™ solutions
 - Nokia selection of Wolfson’s unique noise cancelling technology
 - First revenues from our silicon microphone product line
 - New family of stand-alone power management solutions launched
- Major product portfolio refresh with new products announced across all product lines
- Delivering on 2009 plan
 - More new products delivered to market in first half of 2009 than in all of 2008
 - Cash position further strengthened, up \$8.5m over end 2008 to \$100.7m
 - Cash breakeven maintained at annual revenue levels of \$125m to \$130m
 - Gross margin maintained above 50%

Outlook

- End consumer demand visibility continues to be poor and order patterns volatile
- Q3 2009 backlog currently \$26m, up 6% on equivalent point in last quarter
- Q3 2009 gross margin expected to remain around 50%
- Continuing focus on product development execution while closely managing costs

Commenting on the results Mike Hickey, Chief Executive Officer of Wolfson, said: “We continue to execute well against our plan for 2009 of accelerated new product development and cash conservation. We brought more new products to market in the first half of 2009 than we did in all of 2008, whilst at the same time increasing our cash balance. We have significantly enhanced our portfolio with new platforms being sampled in all our product lines. We are delighted to report first revenues from our silicon microphone products and the selection of our unique noise cancelling technology by Nokia for their latest stereo headset. This is an encouraging affirmation of our technology and our focus on delivering new and innovative products to our customers.

Although our first half results overall reflect the ongoing challenging macroeconomic conditions, the second quarter saw a return to cash break-even as Q209 revenue grew by more than 30% sequentially, and our cash balance grew to over \$100m. Whilst end market demand visibility remains poor and ordering patterns “choppy” we have refreshed our product portfolio with exciting new products which are gaining significant market traction, with more to come in the second half. With an innovative and strengthening product portfolio together with continuing tight cost control and an increasingly strong balance sheet, we remain well placed to return to sustainable profitability and growth when the market recovers.”

**Adjusted means after adding back amortisation of acquired intangible assets. For earnings or loss per share purposes, this is calculated by adding back to net profit or net loss such cost net of the estimated tax impact and dividing by the number of dilutive shares in issue*

Enquiries:

Wolfson Microelectronics

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Mike Hickey, CEO and Mark Cubitt, Finance Director, will be hosting a presentation to investors and analysts at 0830 BST at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS.

An audio webcast of the presentation can be heard LIVE from 0830 BST via <http://www.wolfsonmicro.com/investor> or www.streetevents.com

Additionally, there is a dial-in facility: UK Dial-in +44 (0) 20 3023 4494; US Dial-in +1 866 966 5335. Replay of the conference call will be available from 0930 BST on: +44 (0) 20 8196 1998 or +1 866 583 1035 Access Pin 606587#

This document contains certain statements that are not historical facts, including statements about Wolfson’s expectations and beliefs and statements with respect to its business plan, operations and financial performance and condition and other objectives. Such statements are forward-looking statements. These statements typically contain words such as “intends”, “expects” “anticipates”, “estimates”, “aims”, “believes”, “assumes”, “should”, and words of similar import, which are predictions of or indicate future events and future trends. Undue reliance should not be placed on such statements, which are based on Wolfson’s current plans, estimates, projections and assumptions. By their nature, forward-looking statements involve known and unknown risk and uncertainty because they relate to events and depend on circumstances which may occur in the future and which in some cases are beyond Wolfson’s control. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited, to future revenues being lower than expected; increasing competitive pressures within the industry; general economic conditions or conditions affecting the relevant industries, both domestically and internationally, being less favourable than expected.

INTERIM MANAGEMENT REPORT

Overview

Wolfson announces H1 2009 results ahead of market expectations. Product development is on track with several key milestones being achieved while costs continue to be closely managed. Wolfson is executing on its plan to create a strong portfolio to maximise opportunities when market conditions recover.

Consistent with the adverse conditions in the consumer electronics market, first half revenue decreased by 42% to \$58.4m (H1 2008: \$100.3m). However, Wolfson has continued to hold revenues in the mobile handset segment steady, representing 42% of H1 2009 revenue. Good growth was seen in the flat panel TV segment, with revenue up 16% on H1 2008.

The Asian market (including Japan) accounted for over 75% of Group revenue in H1 2009 with Korea, which represents Wolfson's top two customers, holding up particularly well. The Company has maintained design win momentum across multiple market segments with wins across tier one customers.

Gross margin at 50.4% was lower than the level reported in H1 2008 (51.8%) due to the tougher trading environment and continuing pricing pressure, but Q2 2009 gross margins were 30 basis points higher than Q1 2009 on the back of a better mix of revenues.

Wolfson has continued its focus on overhead cost management, helped by both underlying cost savings and the effect of changes in the US dollar / sterling exchange rate. Total cash overheads, excluding amortisation of acquired intangibles and share based compensation charges, amounted to \$33.3m, compared to \$39.9m in H1 2008. This has been achieved whilst increasing our investment in new product development, where we have delivered more products in H1 2009 than in all of 2008.

Net cash inflow from operating activities was \$10.9m (H1 2008: \$0.4m outflow), resulting in the net cash balance at 5 July 2009 increasing to \$100.7m (28 December 2008: \$92.2m).

The Company's financial performance for the twenty-seven week period ended 5 July 2009 is summarised below.

	H1 2009		H1 2008	
	\$m	% revs	\$m	% revs
Revenue	58.4		100.3	
Gross profit	29.5	50.4%	52.0	51.8%
Overheads				
Research & development	(17.7)	30%	(20.4)	20%
Distribution & selling	(9.4)	16%	(12.6)	13%
Administration	(6.2)	11%	(6.9)	7%
Share based compensation	(1.3)	2%	(1.7)	2%
Adjusted operating (loss) / profit	(5.1)	-9%	10.4	10%
Amortisation charges	(2.5)	4%	(2.5)	2%
Operating (loss) / profit	(7.6)	-13%	7.9	8%
Net Interest Income	0.8	1%	1.2	1%
(Loss)/profit before tax	(6.8)	-12%	9.1	9%
Income tax	1.9		(2.5)	
(Loss) / profit after tax	(4.9)	-8%	6.6	7%
Diluted (loss) / earnings per share (IFRS basis) (cents)	(4.3)		5.5	
Adjusted diluted (loss)/ earnings per share (cents)	(2.7)		7.0	
Average £/\$ exchange rate	1.56		1.97	

The Company's financial performance for Q2 2009 is also summarised below.

	Q2 2009		Q2 2008		Q1 2009	
	\$m	% revs	\$m	% revs	\$m	% revs
Revenue	33.2		53.9		25.2	
Gross profit	16.8	50.5%	27.9	51.7%	12.7	50.2%
Overheads						
Research & development	(9.3)	28%	(10.5)	19%	(8.4)	33%
Distribution & selling	(4.6)	14%	(6.3)	12%	(4.8)	19%
Administration	(3.1)	9%	(3.5)	6%	(3.1)	12%
Share based compensation	(1.0)	3%	(0.9)	2%	(0.3)	1%
Adjusted operating (loss) / profit	(1.2)	-4%	6.7	12%	(3.9)	-15%
Amortisation charges	(1.2)	4%	(1.2)	2%	(1.3)	5%
Operating (loss) / profit	(2.4)	-7%	5.5	10%	(5.2)	-20%
Net Interest Income	0.3	1%	0.5	1%	0.5	2%
(Loss)/profit before tax	(2.1)	-6%	6.0	11%	(4.7)	-18%
Income tax	0.6		(1.7)		1.3	
(Loss) / profit after tax	(1.5)	-5%	4.3	8%	(3.4)	-13%
Diluted (loss) / earnings per share (IFRS basis) (cents)	(1.3)		3.7		(2.9)	
Adjusted diluted (loss)/ earnings per share (cents)	(0.6)		4.4		(2.2)	
Average £/\$ exchange rate	1.56		1.98		1.56	

Operational review

Sales grew sequentially by 32% in the second quarter to \$33.2m (Q1 2009: \$25.2m), a rate of growth in excess of the seasonal norm. However, sales declined by 42% in the half compared to H1 2008, reflecting the weaker macro-economic environment.

Sequential growth was evident in most application segments including games consoles, portable navigation devices and digital still cameras. The Company continued to benefit from its market position in multimedia and smart phones and sales to this segment accounted for 42% of revenue in the period (H1 2008: 25%).

Sales into flat panel TVs, which at \$4.5m represented 8% of Company revenue, also performed strongly, growing 16% compared to H1 2008, reflecting design wins with a tier one manufacturer.

The Company has significantly enhanced its portfolio with new products being sampled in all product lines. New product development execution is on track and the Company brought more new products to market in H1 2009 than in all of 2008.

The Company is delighted to report first revenue from its silicon microphone product family and that its unique noise cancelling technology has been selected by Nokia for their latest stereo headset.

The Company is also investing for the future, with both the creation of a design centre in Newbury (consolidating Wolfson's current High Wycombe and Swindon sites) to accelerate the Enhanced Soundware product plans and the opening of a Japanese design centre, (located in our current Japan office), to focus on increasing our market share in imaging and digital still cameras. This has been achieved within the committed 2009 spending plan and cash breakeven limit. Wolfson expects new products from the Japan team to start contributing to revenue from H2 2010 onwards.

Additionally, Wolfson continues to strengthen its senior management team with the appointment of Andy Brannan as Chief Commercial Officer with effect from 1st July 2009. Mr. Brannan, most recently VP of Nokia's SOSCO business (acquired through Nokia's acquisition of Symbian Ltd), brings over 17 years experience in global technology sales and marketing management to the Company. His breadth of experience and industry contacts will prove valuable as Wolfson expands its market share across all its product lines.

Wolfson AudioPlus™ Update

The Company continues to make solid progress with its Wolfson AudioPlus™ strategy to increase its market share and the size of its addressable market. So far this year, Wolfson has launched key new products and platforms across all of its product lines, significantly enhancing its product portfolio and demonstrating progress with its AudioPlus solutions. The highlights are described below.

Pure Sound

- Introduced two new products in an industry leading family of Digital to Analogue Converters for home audio devices, which reduce the cost of bringing world class audio to a wide range of Digital TV, Blu-ray, set top box and gaming devices. These products have the lowest off-chip support component count of any solution on the market today. This enables product manufacturers to save valuable board space, lower the total bill of materials cost and still deliver industry leading audio performance.
- Introduced the industry's lowest power stereo codec. This new device delivers best in class music playback time for portable multimedia devices.
- The first product in a new family of devices which deploys for the first time Wolfson's innovative ReTune™ mobile technology was delivered to market. This product is targeted at applications that need

to deliver “big sound from small speakers”, such as portable navigation devices, mobile handsets, digital radios and conference speakerphones.

- The first two devices in Wolfson’s new family of next generation audio hubs for mobile phones delivered to market and sampling with tier 1 customers. These devices deliver world class audio performance, industry leading audio playback times and highly flexible signal routing which enable more end user features, at lower total board space and lower total bill of materials cost even in the most integrated single chip cellular phone architectures.

Smart Power

- Announced three products in a whole new family of the world’s most flexible and advanced Power Management Integrated Circuits. Introducing Wolfson’s unique *BuckWise*[™] regulator technology, these devices deliver unprecedented programmability and unparalleled performance capabilities. They offer product manufacturers a no compromise combination of reduced time to market, improved end user experience and lower total cost of ownership.

Enhanced Soundware

- Introducing Wolfson’s revolutionary myZone[™] Ambient Noise Cancellation (ANC) technology in a compact single chip solution targeted at mobile phone handsets.

Additionally, Wolfson has received significant validation of its unique noise cancelling technology with the announcement of Nokia’s selection of the Wolfson myZone[™] ANC technology for use in its BH-905 Bluetooth Stereo Headset, which is being marketed by Nokia as the “world’s best headset”.

Wolfson continues to make progress through the sampling process with many other tier one mobile phone handset and headphone manufacturers and interest in its ANC products remains high.

True Mics

Wolfson has achieved first revenue from its family of MEMS based silicon microphones. Three products from this family are shipping and multiple design wins have been secured.

Financial review – Half year ended 5 July 2009

Income statement

Revenue in H1 2009 was \$58.4m, a 42% year on year decline (H1 2008: \$100.3m), reflecting the downturn in the global consumer electronics markets that began in the second half of 2008.

Gross profit was \$29.5m compared to \$52.0m in H1 2008, this reduction in gross profit being in line with the lower revenue. Gross margin was 50.4%, down from the 51.8% reported in H1 2008. This reduction is primarily due to the tougher pricing environment.

Wolfson continued its focus on overhead management during H1 2009. Total cash overheads, excluding amortisation of acquired intangibles and share based compensation charges, amounted to \$33.3m, compared to \$39.9m in H1 2008 and \$38.1m in H2 2008, a decrease of 17% and 12% respectively.

Research and development expenditure, excluding amortisation and share-based compensation charges, was \$17.7m, or 30% of revenues, compared to \$20.4m or 20% of revenue in H1 2008, representing a fall of 13% in cash spend.

Distribution and selling expenses, excluding share-based compensation charges, were \$9.4m or 16% of revenues, compared to \$12.6m or 13% of revenue in H1 2008. This represents a decrease of 25% and is due to lower volumes, cost saving initiatives and the exchange rate benefit.

Administration expenses, excluding amortisation and share-based compensation charges, fell by 10% to \$6.2m or 11% of revenues (H1 2008: \$6.9m or 7% of H1 2008 revenue).

Share-based compensation charges, calculated in accordance with IFRS 2, amounted to \$1.3m, (H1 2008: \$1.7m). The reduction reflects credits on lapsed awards. For the remainder of 2009 the charge for share based compensation is expected to be around \$1.0m per quarter.

The effective average US dollar to sterling rate for H1 2009 was \$1.56/£1 compared to \$1.97/£1 for H1 2008. It is estimated that every 1 cent increase in the US dollar / sterling exchange rate has the effect of reducing the Company's operating profit by \$270,000 on an annualised basis. Q3 2009 overheads have been hedged at a rate of 1.635. The impact of the Q3 2009 exchange rate compared to the H1 2009 rate will be to increase overheads by \$0.5m.

Adjusted operating loss, excluding amortisation charges on acquired intangible assets, was \$5.1m (H1 2008: \$10.4m profit).

Amortisation charges relating to the intangible assets arising from the acquisitions in 2007 amounted to \$2.5m in H1 2009, unchanged from H1 2008. The quarterly charge will be around \$1.25m for the rest of 2009.

Net financing income was \$0.8m in H1 2009 compared with \$1.2m in H1 2008. The non-cash finance expense of \$0.6m (H1 2008: \$1.1m) relates to the interest expense on the Company's defined benefit pension scheme obligation, and a charge relating to notional interest on the discounted deferred consideration on the acquisitions. The reduction in interest income reflects the lower US dollar interest rates on deposits.

The effective rate of tax in H1 2009 was 28.3% (H1 2008: 28.3%). The effective rate of tax is favourably affected by the availability of tax allowances on research and development expenditure, but is also adversely impacted by the lack of deferred tax relief available on share options that had exercise prices in excess of the share price at 3 July 2009.

Adjusted fully diluted loss per share amounted to 2.7 cents in H1 2009 (H1 2008: 7.0 cents earnings).

A charge of approximately \$1m will be taken in H2 2009 to cover the consolidation of our High Wycombe and Swindon offices into a single site in Newbury, and represents the ongoing costs of the exited offices where the leases run into 2011.

Cashflow and Balance Sheet

Summarised Consolidated Cash Flow

	H1 2009	H1 2008
	\$m	\$m
(Loss) / profit before tax	(6.8)	9.1
Depreciation & amortisation	6.8	7.3
Net finance income	(0.8)	(1.2)
(Loss) / earnings before interest, tax depreciation and amortisation	(0.8)	15.2
Share based compensation	1.3	1.7
Change in working capital	10.4	(12.2)
Foreign exchange	0.7	(0.3)
Income taxes paid	(0.7)	(4.8)
Net cash flow from operating activities	10.9	(0.4)
Capital expenditure	(2.1)	(3.7)
Free cash flow	8.8	(4.1)
Milestone on acquisitions	(1.6)	(2.5)
Interest received	1.5	1.6
Foreign exchange	(0.2)	0.2
Net cash inflow / (outflow)	8.5	(4.8)
Opening cash balance	92.2	89.6
Closing cash balance	100.7	84.8

Cash and short-term deposits amounted to \$100.7m at 5 July 2009 compared to \$92.2m at 28 December 2008 and \$84.8m at 29 June 2008.

Net cash inflow from operating activities was \$10.9m in H1 2009 compared to an outflow of \$0.4m in H1 2008, an improvement of \$11.3m. This inflow primarily reflects the release of working capital on the reduced level of trading activities.

Inventory days were 83 at 5 July 2009 which compared to 109 at 29 June 2008 and 91 days at 28 December 2008. Absolute inventory levels at 5 July 2009 of \$15.0m compares to \$31.3m at 29 June 2008 and \$19.0m at 28 December 2008, reductions of 52% and 21% respectively. Trade receivable days were 45 at 5 July 2009 which compared to 46 at 29 June 2008 and 50 days at 28 December 2008. Days purchases were 51 at 5 July 2009 which compared to 51 at 29 June 2008 and 29 days at 28 December 2008.

During H1 2009, \$1.6m of deferred consideration was paid in connection with the delivery of certain milestones on the Sonaptic and Oligon acquisitions (H1 2008: \$2.5m).

Cash outflow on capital expenditure in H1 2009 amounted to \$2.1m compared to \$3.7m for the same period in 2008, and represented spend on plant and machinery in connection with our True Mics project, together with investment in computer hardware and software including licences for evaluation and design purposes.

With over \$100m cash in the bank, no debt and a \$30m committed credit facility running into 2011, the Company has no significant liquidity risks.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Company's performance over the remaining 26 weeks of the financial year and could cause actual results to differ materially from expected have not changed from those set out in the Operating and Financial Review included in the Company's 2008 Annual Report and Accounts (pages 17 – 19), a copy of which is available on the Company's website at www.wolfsonmicro.com.

The principal risk and uncertainty of particular relevance to the second half of 2009 is the dependence on the strength of the consumer electronics market, particularly in the prevailing weaker macro-economic climate.

There are a number of other principal risks and uncertainties that could have a material impact on the Company's long term performance, the key ones being:

- Fabless business model
- New product development
- Infringement of third party intellectual property rights
- Customer dependence
- Foreign currency exposure

Related party transactions

The transactions which took place in the twenty-seven weeks to 5 July 2009 with related parties were consistent with those reported in the Company's consolidated financial statements for the fifty-two week period ended 28 December 2008.

Outlook

Whilst we have seen good growth in Q2 2009, visibility of end consumer demand continues to be poor, lead times remain very short and ordering patterns volatile. The backlog for the third quarter is currently \$26m, which is up 6% on the equivalent point in the last quarter. Gross margin in Q3 2009 is expected to remain around 50%. The Company is maintaining its cash position and will continue to manage the business closely to achieve this objective. Cash conservation, whilst accelerating the delivery of new products, remains the key theme for 2009.

Responsibility statement of the directors in respect of the half yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first twenty-seven weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining twenty-six weeks of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first twenty-seven weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

JM Hickey
Chief Executive Officer

M Cubitt
Chief Financial Officer

27 July 2009

Condensed consolidated income statement
For the period ended 5 July 2009

		Q2 2009	Q2 2008	Q1 2009	H1 2009*	H1 2008	52 weeks
		13-week period	13-week period	14-week period	27-week period	26-week period	ended 28
		from 6 April	from 31 March	from 29 December	from 29	from 31 December	December
		2009 to 5 July	2008 to 29 June	2008 to 5 April	December 2008	2007 to 29 June	2008**
		2009	2008	2009	to 5 July 2009	2008	
	<i>Notes</i>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	3,4	33,204	53,918	25,219	58,423	100,300	198,199
Cost of sales		(16,425)	(26,032)	(12,557)	(28,982)	(48,318)	(100,902)
Gross profit	4	16,779	27,886	12,662	29,441	51,982	97,297
Distribution and selling costs		(4,921)	(6,591)	(5,001)	(9,922)	(13,275)	(25,917)
Research and development expenses		(11,004)	(12,082)	(9,915)	(20,919)	(23,533)	(46,141)
Administrative expenses		(3,307)	(3,760)	(2,964)	(6,271)	(7,283)	(16,897)
Operating (loss) / profit		(2,453)	5,453	(5,218)	(7,671)	7,891	8,342
Financial income		538	1,127	891	1,429	2,291	4,210
Financial expenses		(243)	(537)	(403)	(646)	(1,053)	(1,922)
Net financing income		295	590	488	783	1,238	2,288
(Loss) / profit before tax		(2,158)	6,043	(4,730)	(6,888)	9,129	10,630
Income tax credit / (expense)	5	609	(1,707)	1,337	1,946	(2,579)	(2,964)
(Loss) / profit for the period attributable to the Owners of the Company		(1,549)	4,336	(3,393)	(4,942)	6,550	7,666
Basic (loss) / earnings per share (cents)	6	(1.35)	3.67	(2.95)	(4.29)	5.54	6.52
Diluted (loss) / earnings per share (cents)	6	(1.35)	3.65	(2.95)	(4.29)	5.51	6.50

* The review undertaken by KPMG Audit Plc and reported upon in page 28 covers the financial information for the twenty-seven week period ended 5 July 2009 but does not extend to the quarterly information, which has not been reviewed or audited.

** The results for the 52 week period ended 28 December 2008 have been extracted from the statutory accounts for the 52 week period ended 28 December 2008, which have been reported on by the Company's auditors and delivered to the Registrar of Companies.

Condensed consolidated statement of comprehensive income
For the period ended 5 July 2009

	Q2 2009 13-week period from 6 April 2009 to 5 July 2009 \$'000	Q2 2008 13-week period from 31 March 2008 to 29 June 2008 \$'000	Q1 2009 14-week period from 29 December 2008 to 5 April 2009 \$'000	H1 2009* 27-week period from 29 December 2008 to 5 July 2009 \$'000	H1 2008 26-week period from 31 December 2007 to 29 June 2008 \$'000	52 weeks ended 28 December 2008** \$'000
(Loss) / profit for the period	(1,549)	4,336	(3,393)	(4,942)	6,550	7,666
Other comprehensive income:						
Actuarial loss on net defined benefit obligations	(2,271)	(620)	-	(2,271)	(620)	(344)
Deferred tax on net defined benefit obligations recognised in equity	636	174	-	636	174	96
Foreign exchange translation differences on foreign operations	(1)	13	-	(1)	13	(5)
Effective portion of changes in fair value of cash flow hedges	494	-	557	1,051	-	(1,051)
	_____	_____	_____	_____	_____	_____
Total comprehensive income for the period attributable to Owners of the Company	(2,691)	3,903	(2,836)	(5,527)	6,117	6,362
	=====	=====	=====	=====	=====	=====

* The review undertaken by KPMG Audit Plc and reported upon in page 28 covers the financial information for the twenty-seven week period ended 5 July 2009 but does not extend to the quarterly information, which has not been reviewed or audited.

** The results for the 52 week period ended 28 December 2008 have been extracted from the statutory accounts for the 52 week period ended 28 December 2008, which have been reported on by the Company's auditors and delivered to the Registrar of Companies.

Condensed consolidated balance sheet

As at 5 July 2009

	Notes	As at 5 July 2009*	As at 5 April 2009	As at 28 December 2008**	As at 29 June 2008
		\$'000	\$'000	\$'000	\$'000
Assets					
Property, plant and equipment	7	32,059	33,045	34,401	36,924
Intangible assets		38,885	39,408	40,651	43,447
Total non-current assets		70,944	72,453	75,052	80,371
Inventories		14,983	19,372	18,989	31,333
Trade and other receivables		18,695	14,735	21,222	33,192
Short-term deposits		91,065	92,417	79,607	72,752
Cash and cash equivalents		9,668	5,356	12,586	12,017
Total current assets		134,411	131,880	132,404	149,294
Total assets		205,355	204,333	207,456	229,665
Equity					
Issued capital		192	192	192	198
Share premium account		58,803	58,803	58,801	58,796
Capital redemption reserve		503	503	503	497
Hedging reserve		-	(494)	(1,051)	-
Retained earnings		112,682	114,933	117,885	121,771
Total equity attributable to equity holders of the parent		172,180	173,937	176,330	181,262
Liabilities					
Employee benefits	8	3,761	1,397	1,347	4,568
Deferred tax liabilities		2,777	4,532	5,345	5,479
Other payables	9	5,362	6,337	6,244	5,387
Total non-current liabilities		11,900	12,266	12,936	15,434
Income tax payable		-	287	896	2,310
Trade and other payables, including derivatives	9	21,275	17,843	17,294	30,659
Total current liabilities		21,275	18,130	18,190	32,969
Total liabilities		33,175	30,396	31,126	48,403
Total equity and liabilities		205,355	204,333	207,456	229,665

* The review undertaken by KPMG Audit Plc and reported upon in page 28 covers the financial information for the twenty-seven week period ended 5 July 2009 but does not extend to the quarterly information, which has not been reviewed or audited.

** The results for the 52 week period ended 28 December 2008 have been extracted from the statutory accounts for the 52 week period ended 28 December 2008, which have been reported on by the Company's auditors and delivered to the Registrar of Companies.

Condensed statement of changes in equity

	Attributable to owners of the Company					Total equity
	Share capital	Share premium	Capital redemption reserve	Hedging reserve	Retained earnings	
	\$000	\$000	\$000	\$000	\$000	
Balance at 31 December 2007	198	58,774	497	-	114,399	173,868
Profit for the period	-	-	-	-	6,550	6,550
Other comprehensive income:						
Actuarial loss on net defined benefit obligations	-	-	-	-	(620)	(620)
Deferred tax on net defined benefit obligations recognised in equity	-	-	-	-	174	174
Foreign exchange translation differences on foreign operations	-	-	-	-	13	13
Total comprehensive income for the period ended 29 June 2008	-	-	-	-	6,117	6,117
Equity settled transactions, including tax effect	-	-	-	-	1,255	1,255
Share options exercised by employees	-	22	-	-	-	22
	-	22	-	-	1,255	1,277
Balance at 29 June 2008	198	58,796	497	-	121,771	181,262
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 29 December 2008	192	58,801	503	(1,051)	117,885	176,330
Loss for the period	-	-	-	-	(4,942)	(4,942)
Other comprehensive income:						
Actuarial loss on net defined benefit obligations	-	-	-	-	(2,271)	(2,271)
Deferred tax on net defined benefit obligations recognised in equity	-	-	-	-	636	636
Foreign exchange translation differences on foreign operations	-	-	-	-	(1)	(1)
Effective portion of changes in fair value of cash flow hedges	-	-	-	1,051	-	1,051
Total comprehensive income for the period ended 5 July 2009	-	-	-	1,051	(6,578)	(5,527)
Equity settled transactions, including tax effect	-	-	-	-	1,375	1,375
Share options exercised by employees	-	2	-	-	-	2
	-	2	-	-	1,375	1,377
Balance at 5 July 2009	192	58,803	503	-	112,682	172,180

Condensed consolidated statement of cash flows

For the period ended 5 July 2009

	Q2 2009 13-week period from 6 April 2009 to 5 July 2009 \$'000	Q2 2008 13-week period from 31 March 2008 to 29 June 2008 \$'000	Q1 2009 14-week period from 29 December 2008 to 5 April 2009 \$'000	H1 2009* 27-week period from 29 December 2008 to 5 July 2009 \$'000	H1 2008 26-week period from 31 December 2007 to 29 June 2008 \$'000	52 weeks ended 28 December 2008** \$'000
Cash flows from operating activities						
(Loss) / profit for the period	(1,549)	4,336	(3,393)	(4,942)	6,550	7,666
<i>Adjustments for:</i>						
Depreciation and amortisation	3,350	3,691	3,473	6,823	7,264	14,379
Foreign exchange losses / (gains)	552	(33)	180	732	(240)	(1,281)
Net financing income	(295)	(590)	(488)	(783)	(1,238)	(2,288)
Equity-settled share-based payment expenses	958	865	308	1,266	1,713	3,671
Income tax (credit) / expense	(609)	1,707	(1,337)	(1,946)	2,579	2,964
	2,407	9,976	(1,257)	1,150	16,628	25,111
Decrease / (increase) in inventories	4,389	(2,597)	(383)	4,006	(5,785)	6,559
(Increase) / decrease in trade and other receivables	(4,223)	(2,549)	6,267	2,044	1,145	12,917
Increase / (decrease) in trade and other payables	3,260	3,011	1,262	4,522	(7,473)	(19,222)
(Decrease)/ increase in provisions and employee benefits	(112)	(63)	21	(91)	(51)	(2,562)
	5,721	7,778	5,910	11,631	4,464	22,803
Income taxes (paid) / received	(804)	(3,243)	66	(738)	(4,817)	(6,794)
	4,917	4,535	5,976	10,893	(353)	16,009
Net cash inflow / (outflow) from operating activities	4,917	4,535	5,976	10,893	(353)	16,009

Condensed consolidated statement of cash flows <i>(continued)</i> <i>For the period ended 5 July 2009</i>	Q2 2009	Q2 2008	Q1 2009	H1 2009*	H1 2008	52 weeks ended 28 December 2008**
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from investing activities						
Interest received	650	952	889	1,539	1,575	3,484
Acquisition of property, plant and equipment and intangible assets	(996)	(729)	(1,079)	(2,075)	(3,702)	(6,310)
Deferred consideration paid for acquisition of subsidiaries	(1,600)	(1,280)	-	(1,600)	(2,513)	(3,633)
Amounts withdrawn from/ (placed on) short-term deposits	1,352	1,092	(12,810)	(11,458)	670	(6,185)
Net cash (outflow) / inflow from investing activities	(594)	35	(13,000)	(13,594)	(3,970)	(12,644)
Cash flows from financing activities						
Proceeds from the issue of share capital	-	8	2	2	22	27
Purchase and cancellation of own shares	-	-	-	-	-	(6,661)
Interest paid	(19)	(43)	(22)	(41)	(73)	(94)
Net cash outflow from financing activities	(19)	(35)	(20)	(39)	(51)	(6,728)
Net increase / (decrease) in cash and cash equivalents	4,304	4,535	(7,044)	(2,740)	(4,374)	(3,363)
Cash and cash equivalents at start of period	5,356	7,323	12,586	12,586	16,183	16,183
Effect of exchange rate fluctuations on cash held	8	159	(186)	(178)	208	(234)
Cash and cash equivalents at end of period	9,668	12,017	5,356	9,668	12,017	12,586
Cash and cash equivalents at end of period	9,668	12,017	5,356	9,668	12,017	12,586
Short-term deposits at end of period	91,065	72,752	92,417	91,065	72,752	79,607
Total cash and short-term deposits at end of period	100,733	84,769	97,773	100,733	84,769	92,193

* The review undertaken by KPMG Audit Plc and reported upon in page 28 covers the financial information for the twenty-seven week period ended 5 July 2009 but does not extend to the quarterly information, which has not been reviewed or audited.

** The results for the 52 week period ended 28 December 2008 have been extracted from the statutory accounts for the 52 week period ended 28 December 2008, which have been reported on by the Company's auditors and delivered to the Registrar of Companies.

Notes to the condensed half year financial statements

1. Basis of preparation

The condensed interim financial statements set out above contain the interim financial information of Wolfson Microelectronics plc (the “Company”) and its subsidiaries (together referred to as the “Group”) for the twenty-seven and thirteen week periods ended 5 July 2009.

The financial information set out in these interim statements has been prepared in compliance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

These interim financial statements were authorised for issue by the Board of Directors on 27 July 2009.

A copy of this half-yearly financial report is available on the Company’s website at www.wolfsonmicro.com.

The financial information set out in these interim statements does not constitute the Company’s statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the fifty-two week period ended 28 December 2008, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU, are available on the Company’s website at www.wolfsonmicro.com and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 237 (2) or (3) of the Companies Act 1985. The interim financial information for the twenty-seven week period ended 5 July 2009 is unaudited but has been reviewed by the auditors and their report to the Company is set out on page 28.

2. Accounting policies

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company’s published consolidated financial statements for the fifty-two week period ended 28 December 2008, except for the following changes as described below.

The following new standards and amendments to standards are mandatory for financial periods commencing on 1 January 2009 and, as the Group’s current financial year commenced on 29 December 2008, it is therefore adopting these standards early:

- *IAS 1 (revised) ‘Presentation of financial statements’*: This revised standard requires entities to prepare a statement of comprehensive income. All ‘non-owner changes in equity’ are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and statement of comprehensive income. Owner changes in equity are shown in a statement of changes in equity. The interim financial statements have been prepared under the revised disclosure requirements. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2. Accounting policies (continued)

- *IFRS 8 'Operating segments'*: IFRS 8 replaces IAS 14 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a reduction in the number of reportable segments presented, as the previously reported segments of 'Consumer audio products', 'Digital Imaging applications' and 'Portable applications' are no longer used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer of the Company.

There has been no impact on the measurement of the Group's assets and liabilities as a result of the adoption of this standard. Comparative segmental information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

The following new standards, amendments to standards and interpretations are mandatory for the first time for financial periods commencing on 1 January 2009 but in the current financial period of the Group, on the basis of these being adopted early, are not currently relevant for the Group:

- IAS 23 (amendment) 'Borrowing costs';
- IFRS 2 (amendment) 'Share-based payment';
- IAS 32 (amendment) 'Financial instruments: Presentation';
- IFRIC 13 'Customer loyalty programmes';
- IFRIC 15 'Agreements for the construction of real estate';
- IFRIC 16 'Hedges of a net investment in a foreign operation'; and
- IAS 39 (amendment) 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 29 December 2008 nor financial years beginning 1 January 2009 and have not been early adopted by the Group:

- *IFRS 3 (revised) 'Business combinations'* and consequential amendments to *IAS27 'Consolidated and separate financial statements'*, *IAS28 'Investments in associates'* and *IAS 31 'Interests in joint ventures'* are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. There were no acquisitions during the twenty-seven week period ended 5 July 2009. The Group does not have any joint ventures.
- *IFRIC 17 'Distributions of non-cash assets to owners'* effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- *IFRIC 18 'Transfers of assets from customers'* is effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

In the process of applying the Group's accounting policies, management necessarily makes judgments and estimates that have a significant effect on the amounts recognised in the condensed interim financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the interim financial statements. The most critical of these accounting judgment and estimation areas were noted in the Company's consolidated financial statements for the fifty-two week period ended 28 December 2008.

Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual pre-tax results.

3. Seasonality of revenue

The revenue of the Company is generally more weighted towards the second half of the financial year in line with consumer spending and demand in the lead up to the main holiday period. The Company attempts to minimise the seasonal impact through the management of inventories to meet demand during this period, however the first half of the financial year typically results in lower revenues and operating results.

4. Segment information

The chief operating decision-maker has been identified as the Chief Executive Officer of the Company. The Chief Executive Officer reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Chief Executive Officer considers the business from a product technology and market segment perspective.

The Group currently has one reportable segment, as described below, which is the Group's Pure Sound segment. The following summary describes the operations in the Group's reportable segment:

Pure Sound – this segment includes the supply and sale of integrated circuits containing Wolfson's high performance audio technologies. The product lines within this segment are categorised as: High Performance Audio, Low Power Audio, Audio Hubs and Audio Amplifiers.

Other operating segments include the supply and sale of integrated circuits in the 'Smart Power', 'True Mics' and 'Enhanced Soundware' product lines. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2009 or in 2008 and, accordingly, the relevant revenue and segment gross profits are shown in aggregate as 'other operating segments'.

The Chief Executive Officer assesses the performance of the operating segments based on revenue and a measure of gross profit. The gross profit measurement basis excludes the effects of non-recurring expenditure from operating segments, such as restructuring costs and exceptional inventory write downs. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the Chief Executive Officer. Other information provided to the Chief Executive Officer is measured in a manner consistent with that in the financial statements.

The assets and liabilities of the Group are not reviewed by the chief operating decision-maker on a segment basis. Therefore none of the Group's assets and liabilities are segmental assets and segmental liabilities respectively and all are unallocated for segmental disclosure purposes.

4. Segment information *(continued)*

	Q2 2009 Period from 6 April 2009 to 5 July 2009 \$000	Q2 2008 Period from 31 March 2008 to 29 June 2008 \$000	Q1 2009 Period from 29 December 2008 to 5 April 2009 \$000	H1 2009 Period from 29 December 2008 to 5 July 2009 \$000	H1 2008 Period from 31 December 2007 to 29 June 2008 \$000	52 weeks ended 28 December 2008 \$000
<i>Segment revenue:</i>						
Pure Sound	32,714	52,840	24,903	57,617	98,765	194,511
Other operating segments	490	1,078	316	806	1,535	3,688
	_____	_____	_____	_____	_____	_____
Total revenue for the period	33,204	53,918	25,219	58,423	100,300	198,199
	_____	_____	_____	_____	_____	_____
<i>Reportable segment gross profit</i>						
Pure Sound	16,818	27,225	12,272	29,090	51,022	98,894
Other operating segments	(39)	661	390	351	960	1,903
	_____	_____	_____	_____	_____	_____
Total segment gross profit for the period	16,779	27,886	12,662	29,441	51,982	100,797
	_____	_____	_____	_____	_____	_____

4. Segment information *(continued)*

A reconciliation of gross profit to total profit / (loss) before income tax is provided as follows:

	Q2 2009 Period from 6 April 2009 to 5 July 2009 \$000	Q2 2008 Period from 31 March 2008 to 29 June 2008 \$000	Q1 2009 Period from 29 December 2008 to 5 April 2009 \$000	H1 2009 Period from 29 December 2008 to 5 July 2009 \$000	H1 2008 Period from 31 December 2007 to 29 June 2008 \$000	52 weeks ended 28 December 2008 \$000
Gross profit for reportable segments	16,779	27,886	12,662	29,441	51,982	100,797
Exceptional inventory write-downs	-	-	-	-	-	(3,500)
Gross profit for the period	16,779	27,886	12,662	29,441	51,982	97,297
Corporate overheads	(19,232)	(22,433)	(17,880)	(37,112)	(44,091)	(86,105)
Restructuring costs	-	-	-	-	-	(2,850)
Operating (loss) / profit for the period	(2,453)	5,453	(5,218)	(7,671)	7,891	8,342
Financial income	538	1,127	891	1,429	2,291	4,210
Financial expense	(243)	(537)	(403)	(646)	(1,053)	(1,922)
(Loss) / profit before tax	(2,158)	6,043	(4,730)	(6,888)	9,129	10,630

4. Segment information *(continued)*

Reportable segments' assets are reconciled to total assets as follows:

	As at 5 July 2009 \$'000	As at 5 April 2009 \$'000	As at 28 December 2008 \$'000	As at 29 June 2008 \$'000
Total assets for reportable segments	-	-	-	-
Assets for other operating segments	-	-	-	-
Goodwill and acquired intangible assets: from acquisition of Sonaptic Limited	31,649	32,601	33,807	36,653
Goodwill and acquired intangible assets: from acquisition of Oligon Limited	5,844	5,739	5,809	5,837
Other unallocated assets	167,862	165,993	167,840	187,175
Consolidated total assets	205,355	204,333	207,456	229,665

5. Income tax credit / (expense)

The income tax credit for the twenty-seven week period ended, and the related deferred tax asset as at, 5 July 2009 reflects the estimated total effective tax rate on the result before taxation for the Group of approximately 28% for the 53-week period ending 3 January 2010. This reflects the UK corporation tax rate applicable for that 53-week period of 28% as reduced by tax allowances on research and development expenditure and increased by share-based payment charges and other disallowable expenses.

6. Earnings per share

	Q2 2009 Period from 6 April 2009 to 5 July 2009 \$000	Q2 2008 Period from 31 March 2008 to 29 June 2008 \$000	Q1 2009 Period from 29 December 2008 to 5 April 2009 \$000	H1 2009 Period from 29 December 2008 to 5 July 2009 \$000	H1 2008 Period from 31 December 2007 to 29 June 2008 \$000	52 weeks ended 28 December 2008 \$000
(Loss) / profit for the period attributable to equity shareholders (basic and diluted)	(1,549)	4,336	(3,393)	(4,942)	6,550	7,666
Exceptional charges after tax*	-	-	-	-	-	4,655
Amortisation of acquired intangible assets*	903	897	903	1,806	1,800	3,620
Adjusted (loss) / profit for the period attributable to equity shareholders (basic and diluted)	(646)	5,233	(2,490)	(3,136)	8,350	15,941
	cents	cents	cents	cents	cents	cents
Basic (loss) / earnings per share	(1.35)	3.67	(2.95)	(4.29)	5.54	6.52
Diluted (loss) / earnings per share	(1.35)	3.65	(2.95)	(4.29)	5.51	6.50
Adjusted basic (loss) / earnings per share	(0.56)	4.42	(2.16)	(2.72)	7.06	13.56
Adjusted diluted (loss) / earnings per share	(0.56)	4.41	(2.16)	(2.72)	7.03	13.51
* After the estimated tax impact of this charge						

The weighted average number of ordinary shares used in the calculation of basic and diluted (loss) / earnings per share for each period were calculated as follows:

6. Earnings per share *(continued)*

	Q2 2009 Period from 6 April 2009 to 5 July 2009	Q2 2008 Period from 31 March 2008 to 29 June 2008	Q1 2009 Period from 29 December 2008 to 5 April 2009	H1 2009 Period from 29 December 2008 to 5 July 2009	H1 2008 Period from 31 December 2007 to 29 June 2008	52 weeks ended 28 December 2008
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Issued ordinary shares at start of period	115,125,980	118,294,980	115,120,980	115,120,980	118,276,980	118,276,980
Effect of shares issued during the period from exercise of employee share options	-	10,440	255	2,540	17,187	33,608
Effect of shares cancelled during the period following purchase by Company of own shares	-	-	-	-	-	(791,389)
	_____	_____	_____	_____	_____	_____
Weighted average number of ordinary shares at end of period – for basic earnings/(loss) per share and for diluted loss per share	115,125,980	118,305,420	115,121,235	115,123,520	118,294,167	117,519,199
Effect of dilutive share options in issue	423,335	488,005	303,871	369,847	529,896	465,704
	_____	_____	_____	_____	_____	_____
Weighted average number of ordinary shares at end of period – for diluted earnings per share	115,549,315	118,793,425	115,425,106	115,493,367	118,824,063	117,984,903
	=====	=====	=====	=====	=====	=====

During the twenty-seven week period to 5 July 2009, the Company issued 5,000 ordinary 0.1 pence shares (*twenty six week period ended 29 June 2008: 38,000 shares*) under employee share option schemes for a consideration received of \$2,000 (*twenty six week period ended 29 June 2008: \$22,000*).

7. Property, plant and equipment

During the twenty-seven week period ended 5 July 2009, the Group acquired property, plant and equipment with a cost of \$1,216,000 (*twenty-six week period ended 29 June 2008: \$3,318,000*) and also intangible assets with a cost of \$1,159,000 (*twenty-six week period ended 29 June 2008: \$604,000*).

As at 5 July 2009, the Group had commitments to purchase property, plant and equipment and intangible assets of \$2,766,000 (*as at 29 June 2008: \$954,000*).

8. Employee benefits

Defined benefit obligations

The defined benefit pension obligation is calculated using an actuarial update as at 5 July 2009. The Company makes contributions to a UK-based defined benefit plan that provides pension benefits for UK employees upon retirement. The plan was closed to new entrants with effect from 2 July 2002. The defined benefit plan and actuarial assumptions are based on sterling denominated assets and liabilities. The Company also has a Group Personal Pension Plan which is a defined contribution pension scheme.

	At 5 July 2009	At 29 June 2008	At 28 December 2008
	\$000	\$000	\$000
Present value of funded obligations	(18,746)	(21,738)	(14,382)
Fair value of plan assets	14,985	17,170	13,035
Recognised liability for defined benefit obligations	<u>(3,761)</u>	<u>(4,568)</u>	<u>(1,347)</u>

The main reasons for the increase in the present value of funded obligations as at 5 July 2009, compared to the position as at 28 December 2008, were: the reduction in the discount rate assumption from 6.50% to 6.20%; the increase in the inflation assumption from 3.00% to 3.60% and the strengthening of sterling compared to the US dollar over the period.

The expense is recognised in the following line items in the income statement:

	27 weeks ended 5 July 2009	26 weeks ended 29 June 2008	52 weeks ended 28 December 2008
	\$000	\$000	\$000
Distribution and selling costs	18	61	117
Research and development expenses	51	172	327
Administrative expenses	21	70	133
Total current service costs	<u>90</u>	<u>303</u>	<u>577</u>
<i>Exchange differences:</i>			
Distribution and selling costs	29	-	(93)
Research and development expenses	82	2	(260)
Administrative expenses	33	1	(107)
	<u>144</u>	<u>3</u>	<u>(460)</u>
Financial income	(373)	(577)	(1,148)
Financial expense	464	656	1,256

8. Employee benefits (continued)

Share-based payments

The share-based payment expense recognised for each period, in accordance with IFRS 2 *Share-based Payment*, was:

	27 weeks ended 5 July 2009	26 weeks ended 29 June 2008	52 weeks ended 28 December 2008
	\$000	\$000	\$000
Total expense recognised in personnel expenses during the period	1,266	1,713	3,671

The total share-based payment expense recognised in the twenty-seven week period to 5 July 2009 of \$1,266,000 was reduced by the impact, of \$400,000, from share awards which did not vest due to non-market based performance and vesting conditions not being satisfied and consequently those share awards lapsed.

During the twenty-seven week period to 5 July 2009, the Company granted 1,195,427 share options and 828,780 performance shares to executive directors and senior management and 1,850,145 contingent shares to employees (*twenty-six weeks to 29 June 2008: 98,200 share options, 1,005,878 performance shares and 881,031 contingent shares were granted*). Each of these categories of share based payment has an estimated weighted average life of three years. The weighted average fair values of those share-based payments, which were granted in the twenty-seven week period to 5 July 2009, are 36 pence, 85 pence and 83 pence respectively (the weighted average fair values for those share-based payments granted in the twenty-six week period ended 29 June 2008 were: *59 pence, 141 pence and 141 pence respectively*).

9. Other payables – contingent consideration

Included in other payables within both current and non-current liabilities are contingent amounts payable to the former shareholders of Sonaptic Limited and Oligon Limited on successful conclusion of milestones which are anticipated to crystallise in the future. As at 5 July 2009 \$3,120,000 (*as at 28 December 2008: \$3,330,000; as at 29 June 2008: \$4,919,000*) of the estimated amount of the contingent consideration was classified within current liabilities as trade and other payables and \$5,362,000 (*as at 28 December 2008: \$6,244,000; as at 29 June 2008: \$5,387,000*) was classified within non-current liabilities as other payables.

For the twenty-seven week period ended 5 July 2009, the Company paid \$1,600,000 to the former shareholders of Sonaptic Limited on successful conclusion of certain of the milestones (*fifty two week period ended 28 December 2008: \$3,633,000; twenty-six week period ended 29 June 2008: \$2,513,000*).

10. Subsequent event

On 27 July 2009, the Company announced the creation of a new design centre in Newbury from the consolidation of the current two sites operated by the Company in High Wycombe and in Swindon. An expense of approximately \$1 million will be recognised in the second half of 2009 in connection with this integration.

Independent review report to Wolfson Microelectronics plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 27 weeks ended 5 July 2009 which comprises consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the statement of changes in equity the consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. We have not reviewed the results for the quarters ended 5 April 2009 or 5 July 2009 respectively.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 27 weeks ended 5 July 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

M Ross

for and on behalf of KPMG Audit Plc

Chartered Accountants

Edinburgh

27 July 2009