

Interim report for AudioDev AB

January 1– September 30, 2008

(Figures in brackets relate to January – September 2007)

- Net sales totaled SEK 90.4 (91.9) million
- Profit/loss after financial items amounted to SEK –21.3 (-41.9) million
- Net profit/loss for the quarter totalled SEK –18.1 (-30.3) million
- Profit/loss per share, after dilution, was SEK –1.08 (-1.81)
- The order backlog totaled SEK 14.7 million (13.9) at the end of the quarter
- The format war about optical media based on blue laser is over following Warner Bros Entertainment's decision to use the BD blue laser format exclusively, and Toshiba have since announced that they are phasing out the development and production of the HD-DVD competing format.

AudioDev discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 14.00 p.m. on September 17th 2008.

AudioDev is a world leading supplier of complete solutions for quality control of optical media and of inspection systems for quality assuring the manufacture of thin layers and films. The group's products for quality assurance and production efficiency are marketed under the brands ETA™, CATS™ and GO!™. The customer base includes companies involved in the manufacturing of optical media, flat panel displays and other industrial applications where thin layers need to be checked for quality with respect to colour determination, measuring thickness and density. AudioDev has a complete offering that includes high precision analyzers, analyzers for production control, extensive customer support, training and TestCenters across the world.

Net sales in 2007 were SEK 111.2 million, with the largest markets being in the US, Asia and Europe. The head office is based in Malmö, Sweden AudioDev has been listed on the OMX Nordiska Börs Stockholm exchange since September 2000.

This is AudioDev

AudioDev is the world-leading supplier of test equipment for quality control of optical media such as CD, DVD and BD (Blu-ray Disc).

Based on its leading market position in optical media, a cornerstone of the company's strategy is exploiting new segments that generate good profitability.

Additional growth is to be secured by expanding the market for AudioDev's technology. This will be achieved partly through the development of core activities and partly through the acquisition of closely related businesses. A step in this direction was taken last year when AudioDev acquired Steag ETA-Optik, a German company specialised in measuring techniques and spectrometry. The company's name has since changed to AudioDev GmbH. The product range includes in-line and off-line analyzers for optical media as well as products for applications outside of optical media. All in all, these new products and core technologies represent a platform for continued growth.

Following the acquisition, AudioDev is active in quality control of optical media, flat panel displays and other industrial applications where thin layers need to be quality assured with respect to colour, thickness and density etc. The group's products for quality assurance and production efficiency are marketed under the brands ETA™, CATS™ and GO!™. AudioDev offers a complete range of high precision analyzers, analyzers for production control, including customer support, training and TestCenters across the world.

Market Development

The market for blue laser based formats has been characterised by uncertainty for a number of years concerning which format, BD or HD-DVD, will be the choice for the future. Warner Bros Entertainments made the decision in January that the company's blue laser based titles would be distributed exclusively in BD. This was a welcome and important step along the way towards determining the outcome of the format war. The decision also led to other market actors expressing their support for BD, which contributed to Toshiba, which at the time was at the cutting edge of the HD DVD technology, phasing out both its development and production of this technology. This saw an end to the format war and the greatest uncertainty factor had been removed.

With the BD format as the winner, many of the producers of optical media must make a decision and evaluate the new position. Actors that have so far exclusively invested in HD-DVD are facing new market conditions which require new investment decisions. At the same time, demand has not really gathered any pace as most consumers have yet to see the overall benefit of the new high-resolution formats. This is partly down to the fact that TV programmes transmitted in High Definition are still rare, and partly because players that can handle the BD format are still relatively expensive and the range of high-resolution media, such as films, is limited. This is particularly evident on the European market. However, the North American market now has a more diverse group that are becoming increasingly aware of the benefits of High Definition quality in TV programmes and films. As a result, sales of players in North America are starting to gain momentum.

AudioDev noted increased activity in the period among the company's competitors on the market, which has led to a intensification of the competitive climate. One competitor was declared bankrupt in the quarter and is now undergoing reconstruction. The current market for manufacturing and test equipment is predominantly focused on pre-recorded material. This is expected as the main driving force behind the BD format is high resolution film and TV. When consumers start to feel the need to play high-resolution material, AudioDev forecast the demand for recordable optical media will gain pace, and thereby the demand for test equipment as well. AudioDev does not think this will happen before the market for pre-recorded optical media has a much stronger foothold on the market. AudioDev dominates the market for signal testing equipment for blue laser based formats, and harbours a continued high level of confidence that this format will show lasting growth.

The optical media industry's manufacturing processes for red-laser based formats such as DVD and DVD-R/RW are both well-established and technically reliable, which has restricted the needs of manufacturers for new investment in production equipment, which includes analyzers. As these formats have been in a mature phase for some time, AudioDev does not envisage any increased investment need. AudioDev holds a 50 percent share of the global market for electrical testing equipment for red-laser based formats.

The market for thin film measurement, with its widely differing applications, is assessed as extremely important for AudioDev's future growth. Thin films have several applications such as in the packaging industry, manufacturing of solar cells and in the production of flat panel displays. AudioDev has the capacity to develop and deliver these, based on the company's current technology. There are also a

number of application areas that at present are without any commercially available solutions. This means that AudioDev's confidence in the potential in these markets has been further boosted over the past period.

AudioDev's Development

The level of activity has continued to be high during the third quarter. The company has detected an increasing interest in the BD format and is well equipped to respond to an increase in demand. The positive decision on the cessation of the format war has meant that the demand for HD analyzers has completely ended. All new investment decisions today involve the BD format and the majority of the orders the company takes are intended for assembly line production. Previously, analyzers were primarily intended for development purposes at the various actors in optical media. In the second quarter AudioDev secured several orders for blue laser analyzers from key actors. Even though the level of activity has been high also during the third quarter the number of orders has dropped. The third quarter is not normally a period for major investment and installations at manufacturers of pre-recorded media.

AudioDev's TFM solutions have been well received by the market, with robust growth compared to the previous year. The company has taken strategically important orders where the customers are leading actors in their relevant fields. During the third quarter the company has been focusing on deliveries that are important references for the company's continued investment in growth. In order to ensure continued growth in TFM the company has also established processes in the third quarter that ensure delivery capacity and enhance market management.

Trends for the period

New Orders and backlog

New orders for the period totalled SEK 91.9 (94.9) million, of which AudioDev GmbH accounted for SEK 21.1 (16.2) million. The order backlog was SEK 14.7 (13.9) million at the end of the period. SEK 5.4 (4.8) million of these are attributable to AudioDev GmbH.

Sales

Net sales totalled SEK 90.4 (91.9) million of which SEK 22.3 (16.5) million are attributable to AudioDev GmbH.

Around 37% (42) of the sales were made up of analyzers for the blue laser formats, BD and HD DVD. Sales of analyzers for DVD and DVD-R/RW made up 40% (41) and sales of CD analyzers were 9% (12) of sales. Products not included in optical media, TFM, accounted for 14% (5) of sales.

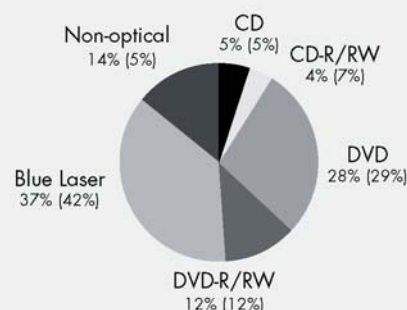
Profit/loss and margins

Gross profit/loss was SEK 36.9 (39.0) million, which equates to a gross margin of 40.8% (42.4). Of the results, SEK 4.6 (3.6) million are attributable to AudioDev GmbH. Inventory write-downs totalled SEK 3.8 (6.3) million.

The 'Other operating earnings/expenses' item includes the impact of currency fluctuations on - operations.

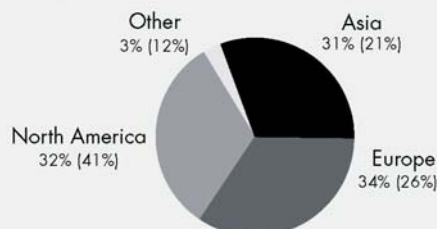
Profit/loss after financial items was SEK -21.3 (-41.9) million of which SEK -14.5 (-14.1) million are attributable to AudioDev GmbH. Profit shares from the associated company AudioDev Far East are included at SEK 1.0 (0.7) million at this profit level. Profit/loss after tax totalled SEK -18.1 (-30.3) million of which SEK -13.1 (9.8) million is attributable to AudioDev GmbH.

Net sales per product group
(Figures in brackets relate to the same period in 2007)



July 1 – September 30, 2008

Net sales per geographical area
(Figures in brackets relate to the same period in 2007)



July 1 – September 30, 2008

AudioDev GmbH was consolidated in the Group from the day of acquisition and purchase on February 8 and is thereby included in the figures for 2007 from that date.

Financial position

Liquid assets at September 30 amounted to SEK 19.0 (31.0 at the end of December 2007) million. Returns on the above were SEK 0.5 (1.5) million and are included in the net financial income. Group financial costs were SEK 0.2 (0) million. Equity/assets ratio at June 30 was 76.5% (86.8). Group shareholders' equity was SEK 131.9 million at the end of the quarter (150.0 at the end of December 2007).

Cash flow and investments

The Group showed a negative cash flow from current operations of SEK -10.9 (-52.4) million. Of this, SEK -17.1 million comes from current operations and SEK 6.2 million is due to lower capital accumulation. Investments of SEK -2.0 (-26.6 million of which SEK 24.4 million constitute the purchase-sum for AudioDev GmbH) and a cash flow from financing operations of SEK 1.0 (0.9) million gives a cash flow of SEK -11.9 (-78.1) million.

Group gross investments in tangible assets have been made at SEK 2.0 (SEK 2.8) million. Investments are mainly related to computer and measuring equipment.

Personnel

The average number of employees for the quarter was 80 (112). The number of full-time employees at the end of the period was 82 (113). Of these, 31(36) are employees at AudioDev GmbH placed in Germany.

The parent company

Net sales for the parent company totalled SEK 61.2 (68.1) million. Profit/loss after financial items was SEK -20.3 (-26.3) million. Of this SEK -13.0 million comes from write-downs of shares in group companies. Investments in tangible fixed assets totalled SEK 0.4 (1.7) million. Disposable liquid assets totalled SEK 15.3 (28.0 at the end of December 2007) million.

Third quarter

New orders

New orders for the third quarter totalled SEK 18.4 (26.3) million, of which AudioDev GmbH accounted for SEK 4.6 (4.7) million.

Sales

Net sales totalled SEK 30.7 (23.7) million, of which SEK 7.7 (4,0) million is attributable to AudioDev GmbH.

Profit/loss and margins

Gross profit for the second quarter was SEK 11.3 (9.4) million, which equates to a gross margin of 36.9% (39.9). SEK -0.1 (0.8) million of this is attributable to AudioDev GmbH

Profit/loss after financial items totalled SEK -6.0 (-15.0) million, of which SEK -6.8 (-5.9) million is attributable to AudioDev GmbH. This means that the other parts in the group show profit in the third quarter. Profit shares from the associated company AudioDev Far East are included in this profit level.

Cash flow

The Group showed a positive cash flow from current operations of SEK -6.3 (-14.5) million. Of this, SEK -3.4 million comes from ordinary operations and SEK -2.9 million from increased capital accumulation in the form of increase in receivables and decreased liabilities. Cash flow for the period was SEK -6.1 (-15.1) million.

Risk description

AudioDev's general views of the risks that may affect the business are the same as we stated in the annual report issued for 2007. For a detailed overview of the company's risks we therefore refer you to the risk analysis that was submitted on Page 18 in the annual report.

Future reports

- February 2008 - Year End Report
- April 23 – Q1 Report 2009 and Annual General Meeting

Accounting principles

This accounting report has been prepared for the Group in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting and for the parent company in accordance with the Annual Accounts Act. The accounting principles and methods of calculation used in the report are the same as those in the last annual report.

This accounting report has been reviewed by the company's auditors.

Malmö, October 17, 2008
AudioDev AB (publ)

Christer Sjöström
CEO and Group Chief Executive

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Review Report

Introduction

We have reviewed the interim report for AudioDev AB (publ) for the period from January 1, 2008 to September 30, 2008. It is the Board of Directors and the Managing Director who are responsible for the presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

The Scope of the Review

We conducted our review in accordance with the Standard on Review Engagements, SÖG 2410, Review of the Interim Financial Information Performed by the Independent Auditor of the Entity. A review of the interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review substantially smaller less in scope compared to an audit conducted according to Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as an conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report, in all material respects, is not prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Swedish Annual Accounts Act.

Malmö, 17 October 2008

Johan Thuresson
Certified Public Accountant
Ernst & Young AB

Peter Gunnarsson
Certified Public Accountant
Ernst & Young AB

Group

Income Statement (TSEK) *

| | July – Sept. 2008 | July – Sept. 2007 | January – Sept. 2008 | January – Sept. 2007 | Full year 2007 | 12 month rolling |
|---|----------------------|----------------------|-------------------------|-------------------------|-------------------|---------------------|
| Net sales | 30 662 | 23 666 | 90 394 | 91 941 | 111 220 | 102 677 |
| Cost of sold goods | -19 338 | -14 223 | -53 484 | -52 991 | -70 995 | -66 373 |
| Gross profit/loss | 11 324 | 9 443 | 36 910 | 38 950 | 40 226 | 36 304 |
| Sales costs | -7 433 | -6 956 | -24 954 | -26 234 | -36 701 | -34 944 |
| R&D costs | -7 359 | -9 751 | -21 404 | -34 604 | -44 105 | -33 297 |
| Administration costs | -4 858 | -7 688 | -15 368 | -21 845 | -35 270 | -31 623 |
| Other operating earnings/ expenses | 2 170 | -399 | 2 164 | -456 | 284 | 335 |
| Results of operating activities | -6 156 | -15 351 | -22 652 | -44 189 | -75 566 | -63 225 |
| Profit/loss from shares in associated companies | 205 | 36 | 1 028 | 732 | 1 240 | 1 367 |
| Net interest | -22 | 358 | 302 | 1 536 | 1 804 | 950 |
| Profit/loss after financial items | -5 973 | -14 957 | -21 322 | -41 921 | -72 522 | -60 908 |
| Tax for the period | 66 | 3 952 | 3 209 | 11 621 | 17 821 | 13 295 |
| Profit/loss for the period | -5 907 | -11 005 | -18 113 | -30 300 | -54 701 | -47 613 |
| Profit/loss per share, SEK | -0,35 | -0,66 | -1,08 | -1,81 | -3,27 | -2,85 |
| Profit/loss per share after full dilution, SEK | -0,35 | -0,66 | -1,08 | -1,81 | -3,27 | -2,85 |
| No. of shares before dilution, average, thousands | 16 716 | 16 716 | 16 716 | 16 716 | 16 716 | 16 716 |
| No. of shares after dilution, average, thousands | 17 116 | 17 116 | 17 116 | 17 116 | 17 116 | 17 116 |

Balance sheet (TSEK) *

| | 2008-09-30 | 2007-09-30 | 2007-12-31 |
|---|----------------|----------------|----------------|
| Assets | 39 068 | 31 154 | 39 658 |
| Inventories | 75 121 | 96 885 | 88 031 |
| Accounts receivable | 32 487 | 20 788 | 24 410 |
| Other receivables | 6 744 | 12 657 | 7 465 |
| Liquid assets | 19 036 | 42 259 | 30 980 |
| Total assets | 172 456 | 203 743 | 190 544 |
| Shareholders' equity | 131 932 | 176 758 | 150 004 |
| Current liabilities | 40 524 | 26 985 | 40 540 |
| Total shareholders' equity and liabilities | 172 456 | 203 743 | 190 544 |

* *AudioDev GmbH was consolidated in the Group from the day of acquisition and purchase on February 8, 2007, and is thereby included in the figures for 2007 from this date.*

Group

Cash flow analysis (TSEK) *

| | July – Sept. 2008 | July. – Sept. 2007 | January – Sept. 2008 | January – Sept. 2007 | Full year 2007 | 12 month rolling |
|---|----------------------|-----------------------|-------------------------|-------------------------|-------------------|---------------------|
| Cash flow from current operations before changes in operating capital | -3 448 | -15 767 | -17 123 | -45 135 | -68 164 | -52 471 |
| Changes in operating capital | -2 892 | 1 243 | 6 205 | -7 290 | 10 917 | 28 547 |
| Cash flow from current operations | -6 340 | -14 524 | -10 918 | -52 425 | -57 247 | -23 924 |
| Cash flow from investment operations | -993 | -169 | -1 976 | -26 599 | -33 056 | -7 610 |
| Cash flow from funding operations | 951 | -398 | 951 | 915 | 915 | -398 |
| Cash flow for the period | -6 382 | -15 091 | -11 943 | -78 109 | -89 389 | -31 932 |
| Liquid assets at the beginning of the period | 25 418 | 57 350 | 30 979 | 120 | 120 368 | 57 350 |
| Liquid assets at the end of the period | 19 036 | 42 259 | 19 036 | 42 259 | 30 979 | 25 418 |

Group equity (TSEK) *

| | Share capital | Contributed funds | Other reserves | Accrued funds | Total shareholders' equity |
|---|---------------|-------------------|----------------|----------------|----------------------------|
| Opening balance at January 1, 2008 | 8 358 | 35 310 | 1 206 | 105 129 | 150 003 |
| Exchange rate difference from overseas operations | | | 412 | | 412 |
| Price diff. profit/loss for the period | | | | -370 | -370 |
| Profit/loss for the period | | | | -18 113 | -18 113 |
| Closing balance at June 30, 2008 | 8 358 | 35 310 | 1 618 | 86 646 | 131 932 |

Key ratios*

| | July – Sept. 2008 | July – Sept. 2007 | January – Sept. 2008 | January – Sept. 2007 | Full year 2007 |
|--|----------------------|----------------------|-------------------------|-------------------------|-------------------|
| Growth in net sales (%) | 29,6% | 7,3% | -1,7% | 18,8% | 6,4% |
| Gross margin (%) | 36,9% | 39,9% | 40,8% | 42,4% | 36,2% |
| Operating margin (%) | -20,1% | -64,9% | -25,1% | -48,1% | -67,9% |
| Margin after financial items (%)** | -19,5% | -63,2% | -23,6% | -45,6% | -65,2% |
| Profit margin (%) | -19,3% | -46,5% | -20,0% | -33,0% | -49,2% |
| Depreciation (SEK millions) | -2,1 | -0,4 | -5,1 | -2,8 | -6,5 |
| Shareholders' equity (MSEK) | 131,9 | 176,8 | 131,9 | 176,8 | 150,0 |
| Capital employed (MSEK) | 131,9 | 176,8 | 131,9 | 176,8 | 150,0 |
| Balance sheet total (MSEK) | 172,5 | 203,7 | 172,5 | 203,7 | 190,5 |
| Rate of return on capital employed (%) | -4,3% | -8,2% | -3,7% | -5,5% | -40,7% |
| Rate of return on shareholders' equity (%) | -4,4% | -6,0% | -12,8% | -15,8% | -30,7% |
| Equity/assets ratio (%) | 76,5% | 86,8% | 76,5% | 86,8% | 78,7% |
| Capital turnover rate (multiple) | 0,2 | 0,1 | 0,6 | 0,9 | 0,6 |
| No. of employees (average for the period) | 80 | 113 | 80 | 112 | 108 |
| Sales per employee (TSEK) | 383 | 209 | 1 130 | 821 | 1 030 |
| Operating profit per employee (TSEK) | -77 | -136 | -283 | -395 | -700 |

* *AudioDev GmbH was consolidated in the Group from the day of acquisition and purchase on February 8, and is thereby included in the figures for 2007 from this date.*

** *Profit/loss after financial items in percentage of net sales.*

Parent company

Income Statement (TSEK)

| | July – Sept. 2008 | July – Sept. 2007 | January – Sept. 2008 | January – Sept. 2007 | Full year 2007 | 12 month rolling |
|---|-------------------------|-------------------------|----------------------------|----------------------------|-------------------|------------------------|
| Net sales | 20 802 | 15 645 | 61 181 | 68 086 | 80 023 | 73 118 |
| Cost of sold goods | -11 533 | -10 068 | -35 597 | -39 106 | -52 935 | -49 426 |
| Gross profit/loss | 9 269 | 5 577 | 25 584 | 28 980 | 27 088 | 23 692 |
| Sales costs | -3 281 | -3 805 | -12 166 | -16 647 | -22 514 | -18 033 |
| R&D costs | -4 810 | -8 107 | -15 345 | -29 894 | -37 056 | -22 507 |
| Administration costs | -2 529 | -3 213 | -8 777 | -10 679 | -19 703 | -17 801 |
| Other operating earnings/ expenses | 2 170 | -408 | 2 165 | -465 | 282 | 2 912 |
| Results of operating activities | 819 | -9 956 | -8 539 | -28 705 | -51 903 | -31 737 |
| Profit/loss from shares in group companies | -13 000 | | -13 000 | | -9 161 | -22 161 |
| Profit/loss from shares in associated companies | 951 | 915 | 951 | 915 | 915 | 951 |
| Net interest | -30 | 338 | 280 | 1 487 | 2 357 | 1 150 |
| Profit/loss after financial items | -11 260 | -8 703 | -20 308 | -26 303 | -57 792 | -38 797 |
| Estimated tax | -202 | 2 436 | 1 608 | 7 364 | 13 482 | 7 726 |
| Profit/loss for the period | -11 462 | -6 267 | -18 700 | -18 939 | -44 310 | -31 071 |

Balance sheet (TSEK)

| | 2008-06-30 | 2007-06-30 | 2007-12-31 |
|---|----------------|----------------|----------------|
| Assets | 43 763 | 42 155 | 57 841 |
| Inventories | 54 457 | 76 251 | 67 772 |
| Accounts receivable | 27 985 | 22 758 | 12 288 |
| Other receivables | 31 778 | 23 176 | 26 850 |
| Liquid assets | 15 293 | 50 949 | 27 966 |
| Total assets | 173 276 | 215 289 | 192 717 |
| Shareholders' equity | 139 623 | 189 960 | 158 322 |
| Current liabilities | 33 653 | 25 329 | 34 395 |
| Total shareholders' equity and liabilities | 173 276 | 215 289 | 192 717 |

