

Interim report for AudioDev AB (publ)

January 1 – June 30, 2003

(Figures in brackets relate to the period January-June 2002)

- *Net sales January-June increased by 28 percent to SEK 136.7 (106.7) million.*
- *Profit after financial items improved to SEK 21.0 (17.7) million for the period.*
- *New dividend policy resulting in a considerable increased dividend.*

	Apr-June 2003	Apr-June 2002	Jan-June 2003	Jan-June 2002
<i>Net sales, MSEK</i>	89.7	70.2	136.7	106.7
<i>Profit after financial items, MSEK</i>	18.1	16.0	21.0	17.7
<i>- as % of net sales</i>	20.2	22.8	15.4	16.6
<i>Profit after tax, MSEK</i>	12.9	10.6	14.8	11.8
<i>- as % of net sales</i>	14.4	15.1	10.8	11.1
<i>Profit per share, SEK</i>	0.77	0.65	0.89	0.73
<i>Backlog, MSEK</i>	19.9	20.6	19.9	20.6

About AudioDev

AudioDev is a world-leading manufacturer of test equipment for quality control of optical media such as CDs and DVDs. The parent company has its head office in Malmö, Sweden, which is the base for activities in Europe. Sales and services office in the US, Hong Kong and Taiwan are responsible for the North American and Asian markets. In addition, AudioDev has built up a network of agents in all countries and regions of significant importance. AudioDev's products are sold under the brands CATS and Go!. The products in the CATS series are regarded as the de facto industry standard for quality testing for all formats on the market. Go! is a new brand with products optimised for process control. AudioDev also offers an extensive service network, as well as customised training and independent test analyses via AudioDev's Test Center. AudioDev's customers include Technicolor, Ritek Global Media, Microsoft, EMI, Warner, Sonopress, Pioneer, Cinram, Panasonic, MBI and CMC. AudioDev has been listed on the Stockholm Stock Exchange since September 2000.

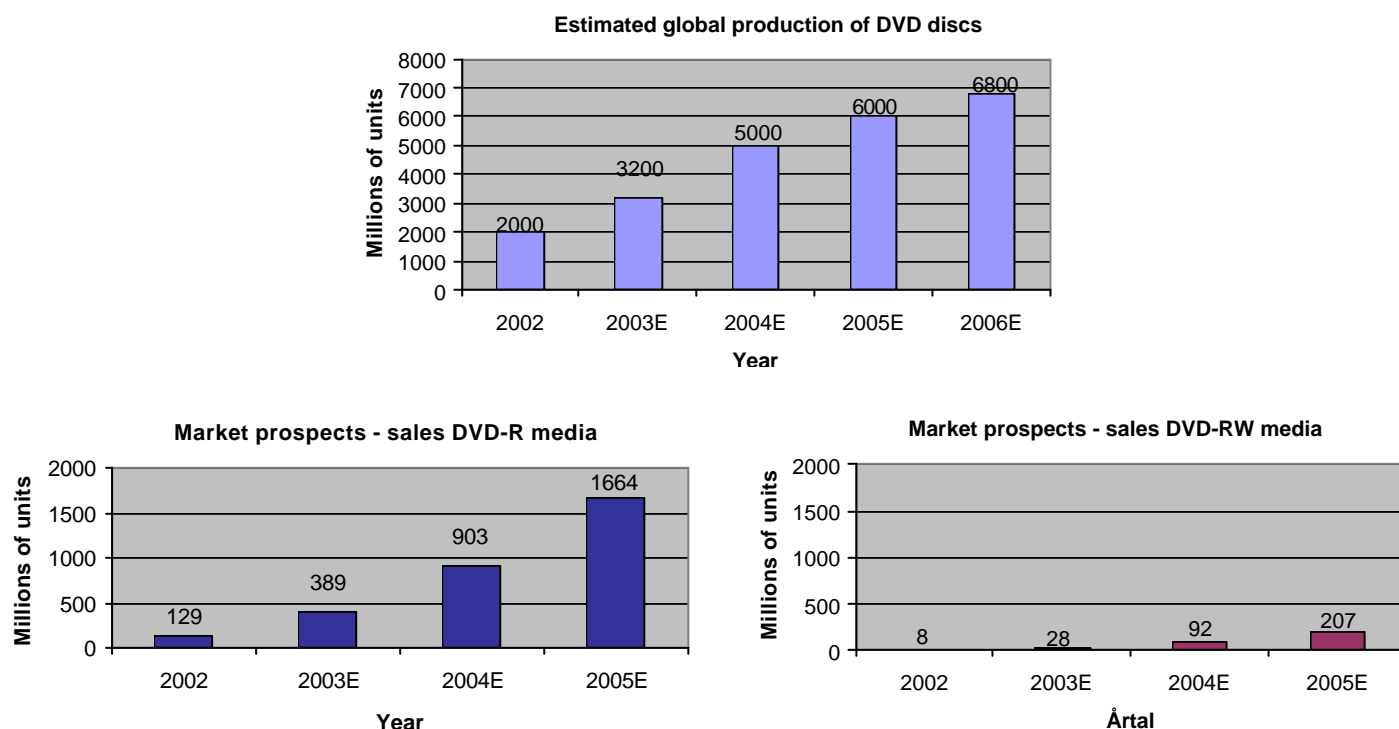
The market

The market for optical media is dominated by players in three main areas; disc manufacturers, electronics companies manufacturing DVD and CD players and content suppliers such as film, and record companies, games and software. The market also includes suppliers of production equipment, raw materials and packaging as well as companies manufacturing and supplying test equipment for quality control, among them AudioDev.

AudioDev's largest customer group is disc manufacturers. Their need for test and production equipment is governed by consumer demand for discs, but the pattern of investment reveals an irregularity that does not fully follow consumer sales trends. The reason for this is that manufacturers tend to invest heavily in equipment when a format has just become popular, which results in a period of over capacity. This in turn means that demand for test equipment may be low even though consumer demand for the media continues to increase. However, investments increase again after a time partly due to over capacity no longer being a factor, and partly because production processes sometimes change when a format matures. This irregularity in investment patterns is typical of our industry.

Optical media trends

Even if the demand for test equipment does not exactly follow the consumer market for optical media, the trend is a key indicator for the investment needs of the industry. The diagram below illustrates the estimated growth in DVD and DVD-R/RW discs.



Source: Credit Suisse Equity Research and Cheuvreux smaller companies research.

The DVD player is one of the fastest growing consumer electronics products ever, and the rising number of DVD players on the market is impacting positively on the demand for DVD discs (see diagram). This demand is currently being fuelled primarily by DVD-Video (DVD with film) which is now established as a popular format. However, it is likely that in the long term DVD-ROM will take over the lion's share of the games and software market from CD-ROM. Today, most computers are delivered with a DVD player and an increasing number of games and games consoles such as Microsoft's Xbox and Sony's Playstation 2 are DVD-ROM based. Surveys show that manufacturing capacity for pre-recorded DVDs needs to increase by 240 percent (see diagram above) by year 2006 in order to satisfy the escalating demand. It is therefore probable that DVD will continue to grow at a steady rate.

For DVD-R/RW investment needs for the coming years should be great. Demand for this media is growing at a tremendous rate, albeit from a low level (see diagram). The reason is a decline in prices and an increased number of sold DVD players with recording features and computers with DVD burners. DVD-R is the format most in demand. DVD-RW is a format still in its first stages of development.

The CD media has reached a state of maturity and has now entered a phase where investment needs are declining, the bulk of which are being met by reinvestment. However, demand for CD-R media continues to grow as CD-R is still the primary storage medium having taken over from the floppy disc at the end of the 90s. Looking forward, CD-R will very probably be replaced by DVD-R.

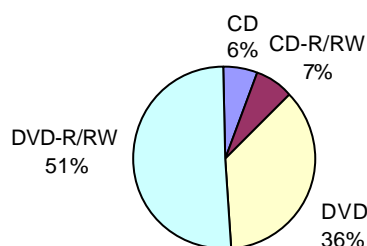
AudioDev's activities January-June 2003

This year's second quarter saw better sales for all product areas compared to the first quarter with the demand for testers for pre-recorded DVD showing particular high levels. AudioDev's recently launched Go! product series and our latest CATS product, DVD Falken, were received well at the trade fair in May. The products will probably not represent a significant portion of our sales until the beginning of next year when they will have become fully established on the market.

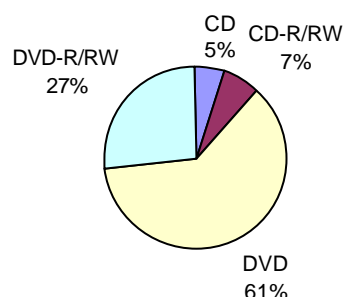
Net sales

Net sales for the six month period totalled SEK 136.7 (106.7) million, which is an increase of 28 percent compared to the corresponding period for 2002. Net sales for the period April-June totalled SEK 89.7 (70.2) million. The majority of sales relate to testers for recordable DVD (DVD-R/RW), which has continued to grow over the second quarter. Sales of testers for pre-recorded DVDs have increased by 73 percent over the second quarter when compared to the first quarter this year, but total sales for the six month period are down on the same period last year (see diagram). Sales of testers for CDs show a modest increase when compared to the same period last year while sales of testers for CD-R have stabilised at a relatively unchanged level (see diagram).

Net sales per product group

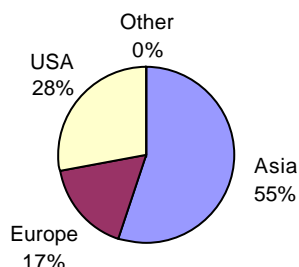


Jan 1 – June 30, 2003

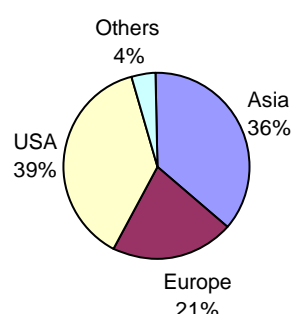


Jan 1 – June 30, 2002

Net sales per geographical market



Jan 1 – June 30, 2003



Jan 1 – June 30, 2002

Recordable media is manufactured primarily in Asia, which is why its sales share has increased substantially compared to the same period last year. Pre-recorded DVD is

manufactured primarily in the US with some manufacturing in Europe, which has meant that sales in both these areas has dropped on a percentage basis compared to last year.

Profit and margins

Profit after financial items improved for the six month period by 18.6 percent when compared to the same period in 2002 and amounted to SEK 21.0 (17.7) million. Profit after tax amounted to SEK 14.8 (11.8) million. Profit after financial items amounted to SEK 18.1 (16.0) million for the period April-June, and profit after tax was SEK 12.9 (10.6) million.

AudioDev has made additional inventory write downs in the second quarter, where written off components have been assessed as being no longer usable for our products. Write-downs correspond to a total of SEK 10.7 (4.5) million, which has impacted negatively on the operating profit for the period. Excepting inventory write downs, AudioDev's profit shows an unchanged gross margin.

The group now mainly invoices in EUR. Changing from USD in the first quarter was implemented to enable a more stable structure for future currency risk. Receivables from the American subsidiary will continue to be secured in USD while other remaining forward foreign-exchange transactions in USD will be settled during 2003. As of June 30, 2003 the future flow equivalent to USD 9.5 million had been hedged against Swedish Kronor at an average rate of 9.36. The deferred rate of profit amounted to SEK 1.7 million exclusive of what is allowed for in the interim accounts of June 30, 2003.

New orders and backlog

New orders for the period April-June totalled SEK 85.0 (71.9) million and the total for the six month period rose to SEK 139.1 (117.8) million. This is an increase of 18 percent compared to the same period last year. The backlog of orders was SEK 19.9 (20.6) million at the end of the period

Investments

Group gross investments in tangible assets have been made at SEK 1.2 (1.6) million for the period. Investments are mainly related to computer and measuring equipment.

Financial position and liquidity

Liquid assets totalled SEK 166.4 (130.1) million as of 30 June 2003. During the period the majority of the group's liquid assets were held in a money market fund based on treasury discount notes and corresponding securities and commercial papers.

Equity/assets ratio at June 30, 2003 amounted to 87.5 percent compared to 88.4 percent at the turn of the year. Group shareholders' equity amounted to SEK 285.2 (278.7) million at the end of the period.

Cash flow

The Group showed a positive cash flow from current operations of SEK 33.8 (-19.6) million for the period January-June. Capital accumulation in working capital has dropped to SEK 22.2 (increase of 31.8) million for the quarter. This decline in working capital is principally made up of lower inventories and accounts receivable. Cash flow from current operations for the period April-June amounted to SEK 16.0 (-5.3) million. SEK 12.5 million has been paid to shareholders for the period.

Personnel

The average number of employees for the period January 1 - June 30, 2003 was 102 (99).

The parent company

Net sales for the parent company totalled SEK 128.7 (70.4) million. Profit after financial items was SEK 17.5 (20.2) million. Investments in tangible fixed assets totalled 1.2 (1.5) million SEK. Disposable liquid assets amounted to SEK 157.3 (126.5) million.

Changes to the incentive program

AudioDev's Board has decided to allot a further 25,600 of the non-allotted options pertaining to options program 4. In addition, AudioDev's Chief Executive Officer, Peter Ragnarsson, has during spring bought 50,000 options pertaining to options program 4. Options program 4 covers 270,000 subscription options which qualify for the same amount of series B shares at a subscription rate of 50 SEK per share. For more information see AudioDev's annual report for 2002.

New dividend policy

AudioDev's Board has established a new dividend policy. The policy proposes to the Annual General Meeting 2004 a dividend of SEK 2 per share for 2003 (0.75 SEK previous year) with the aim of being able to increase this by an average of 10 percent per year over the coming five years, while taking into account the relevant equity/assets ratio target of 40 percent. The dividend for the year 2003 will be decided at the 2004 Annual General Meeting.

Future reports 2003

October 24 Interim report January - September 2003.

February 2004 Year End report 2003.

Miscellaneous

This interim report has not been examined by the company's auditors.

Malmö, August 20, 2003

AudioDev AB (publ.)

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Chief Executive Officer and Group Chief Executive

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Income Statement (MSEK)	Group April-June 2003	Group April-June 2002	Group Jan-June 2003	Group Jan-June 2002	Group Jan-Dec 2002	Group Rolling July 1 2002 june 30 2003
Net sales	89.7	70.2	136.7	106.7	212.0	242.0
Operating expenses	-76.3	-54.0	-122.0	-87.5	-191.9	-226.4
Profit/Loss before depreciation	13.4	16.2	14.7	19.2	20.1	15.6
Depreciation	-0.8	-0.9	-1.9	-2.2	-5.0	-4.7
Operating profit	12.6	15.3	12.8	17.0	15.1	10.9
Profit share from associated companies	4.1		5.3			5.3
Net financial items	1.4	0.7	2.9	0.7	6.7	8.9
Profit after financial and similar items	18.1	16.0	21.0	17.7	21.8	25.1
Tax for the period	-5.2	-5.4	-6.2	-5.9	-6.5	-6.8
Profit for the period	12.9	10.6	14.8	11.8	15.3	18.3
Average no. of shares, thousands	16 700	16 420	16 700	16 262	16 482	16700
Average no. of shares after full dilution, thousands	17 322	17 322	17 322	17 319	17 317	17322
Profit per share, SEK	0.77	0.65	0.89	0.73	0.93	1.10
Profit per share after full dilution, SEK	0.74	0.61	0.85	0.68	0.88	1.06
Shareholders' equity per share, SEK	17.08	16.97	17.08	17.14	17.12	17.08
Shareholders' equity per share after full dilution, SEK	16.46	16.09	16.46	16.09	16.3	16.46

Balance sheet (MSEK)	30/06/03	30/06/02	31/12/02
Assets			
Intangible assets	0.8	1.0	0.8
Tangible assets	9.8	11.1	11.2
Financial assets	6.3	0.0	2.1
Liquid assets	166.4	130.1	144.9
Other current assets	142.8	160.8	160.4
Total assets	326.1	303.0	319.4

Shareholders' equity and liabilities

Shareholders' equity	285.2	278.7	282.2
Non-interest bearing liabilities and allocat	40.9	24.3	37.2
Total liabilities and shareholders' equity	326.1	303.0	319.4

Specification of Group equity

	Share capital	Restricted reserves	Non-restricted s'holders' eqty	Total
Opening balance at January 1, 2003	8.4	211.3	62.5	282.2
Dividend paid			-12.5	-12.5
Exchange rate difference		0.0	0.7	0.7
Transfer between restricted and non-restricted equity due to associated company accounts		4.6	-4.6	0.0
Profit for the period			14.8	14.8
Closing balance at June 30, 2003	8.4	215.9	60.9	285.2

Cash flow analysis (MSEK)	Group April-June 2003	Group April-June 2002	Group Jan-June 2003	Group Jan-June 2002	Group Jan-Dec 2002
Operating profit	12.6	15.3	12.8	17.0	15.1
Adjustments for items not included in the cash flow etc.	0.8	0.9	1.9	2.2	5.0
Net financial items excl. assoc. company s	1.4	0.7	2.9	0.7	6.7
Tax paid	-3.3	-2.7	-6.0	-7.7	-10.8
Changes in working capital	4.5	-19.5	22.2	-31.8	-15.4
Cash flow from current activities	16.0	-5.3	33.8	-19.6	0.6
Net investments in fixed assets	-0.7	0.0	-0.9	-1.6	-5.0
Cash flow from investments	-0.7	0.0	-0.9	-1.6	-5.0
Changes in long-term receivables	0.6	0.0	0.4	0.0	-2.1
New issues, share options	0.0	4.3	0.0	4.3	4.3
Paid dividends	-12.5	-12.4	-12.5	-12.4	-12.4
Exchange rate difference	0.4	0.1	0.7	0.0	0.1
Cash flow from financial activities	-11.5	-8.0	-11.4	-8.1	-10.1
Cash flow for the period	3.8	-13.3	21.5	-29.3	-14.5
Liquid assets at the beginning of the perio	162.6	143.4	144.9	159.4	159.4
Liquid assets at the end of the period	166.4	130.1	166.4	130.1	144.9

Key ratios	Group April-June 2003	Group April-June 2002	Group Jan-June 2003	Group Jan-June 2002	Group Jan-Dec 2002
Operating margin, %	14.0	21.8	9.4	15.9	7.1
Profit margin, %	14.4	15.1	10.8	11.1	7.2
Rate of return on capital employed, %	6.5	5.5	7.5	6.1	8.3
Rate of return on shareholders' equity, %	4.5	3.8	5.2	4.3	5.5
Equity/assets ratio, %	87.5	92.0	87.5	92.0	88.4
No. of employees, average	101	98	102	99	102
Net sales per employee, KSEK	888	716	1340	1078	2078
Operating profit per employee, KSEK	125	156	125	172	148

Definitions

Operating margin:

Operating profit as percentage of net sales.

Profit margin:

Profit for the period as percentage of net sales.

Rate of return on capital employed:

Profit after financial items plus financial expenses divided by average capital employed.

Rate of return on shareholders' equity:

Income for period divided by average shareholder equity.

Equity/assets ratio:

Shareholders' equity as percentage of balance sheet total

Sales per employee:

Net sales for period divided by average no. of employees for year

Operating profit per employee:

Operating profit divided by average no. of employees for year