

Interim report for AudioDev AB

January 1 – September 30, 2007

(Figures in brackets relate to January 1 - September 30 2006)

- Net sales totalled SEK 91.9 (77.4) million
- Profit/loss after financial items was SEK -41.9 (-33.4) million
- Profit/loss for the period totalled SEK -30.3 (-22.8) million
- Profit/loss per share totalled SEK -1.81 (-1.36) million
- Integration costs for AudioDev GmbH totalled SEK 5.4 million
- The backlog of orders was SEK 13.9 (13.2) million at the end of the period
- AudioDev has taken strategically important orders on the blue laser side for 5 BD analyzers and for inspection and monitoring systems for thin film applications
- The cost saving program is implemented more rapidly than planned.

Note: 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.

AudioDev is a world leading supplier of complete solutions for quality control of optical media. 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 2006 were SEK 105 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.

A technologically-oriented niche company with a world-leading status.

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

Based on its leading market position in optical media, a cornerstone of the company's strategy is exploiting new segments such as blue-laser 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.

In February 2007 AudioDev acquired the German company Steag ETA-Optik (ETA) a company with extensive technological expertise in measuring techniques and spectrometry. The company has since changed its name in the period to AudioDev GmbH. The product range includes in-line and off-line analyzers, which complements AudioDev's products in optical media. In addition, the company has products for applications outside the area of optical media. All in all, these new products represent a platform for continued growth and AudioDev intends to continue utilising AudioDev GmbH's core technologies.

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 determination, measuring thickness and density etc. The group's products for quality assurance and production efficiency are marketed under the brands ETATTM, CATSTM and GO!TM. AudioDev offers a complete package with high precision analyzers, analyzers for production control, including customer support, training and TestCenters across the world.

Growth in blue laser and new product ranges.

The optical media industry has continued to be characterised by limited investment in production and test equipment with respect to the DVD and DVD-R/RW formats.

Growth in optical media is being driven principally by the new High Definition formats BD and HD DVD. In the initial phase it is the distribution of films and games for HD-TV that is the strongest driving force for growth. In the second phase, an increased need for storing films and other data is expected to drive growth. Sales of production and test equipment for these formats are expected to increase progressively in line with the rise in volumes of discs produced.

AudioDev has continued to secure strategically important orders in the blue laser formats where the major manufacturers of discs for film have now made initial investment in manufacturing capacity. Cinram has signed another order for five BD analyzers during the period. AudioDev sees continued positive development in both the market and the company's market position.

In addition to the development of the blue-laser based formats, AudioDev assesses that the market for optical media as a whole is entering a more mature phase. Sales at the company's Malmö based business is considered to remain at the present level until the blue laser market becomes firmly established.

Outside the optical media business, AudioDev has secured in the period a number of orders for inspection systems for flat panel displays, systems for monitoring of colour tones when manufacturing coloured paper, and inspection equipment for packaging film for foods at a total order value of SEK 3.5 million.

Continued development outside optical media. Integration and savings work will be completed this year.

In the period, AudioDev has intensified a business development process outside of optical media, with the aim of increasing growth in this area.

At the same time, AudioDev's work on identifying and implementing savings to adapt other operations in line with the prevailing market conditions continued in the period. The cost saving program was implemented more rapidly than planned.

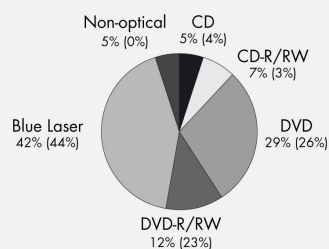
The integration of AudioDev GmbH has gone quicker than planned, and will be completed in Q4.

AudioDev's sales network's access to AudioDev GmbH's product range means the market presence for these products has been given increased significance in the strategically important markets of China, Taiwan, Japan and the US, where AudioDev has established distribution channels already in place.

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Net sales per product group

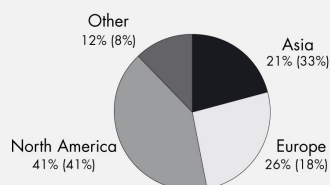
(Figures in brackets relate to the same period in 2006)



January 1 – September 30 2007

Net sales per geographical area

(Figures in brackets relate to the same period in 2006)



January 1 – September 30 2007

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.

New orders and backlog

New orders for the period totalled SEK 94.9 (78.5) million, of which AudioDev GmbH accounted for SEK 16.2 million. The backlog of orders was SEK 13.9 (13.2) million at the end of the period. SEK 4.8 million of these are attributable to AudioDev GmbH.

Sales

New sales totalled SEK 91.9 (77.4) million of which SEK 16.5 million are attributable to AudioDev GmbH.

Around 40 percent of the sales for the period 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 41 % (49 %) and sales of CD analyzers were 12 % (7 %) of sales, an increase that was primarily due to AudioDev GmbH's sales. Even if variations between quarters can easily arise (the order value for a blue-laser analyzer is up to three times as high as a DVD analyzer) the distribution is generally in line with expectations for the period.

The geographical distribution normally shows significant variations between the quarters. The increase in Europe can partially be attributed to AudioDev GmbH.

Profit/loss and margins

Gross profit/loss for the period was SEK 39.0 (34.6) million, which equates to a gross margin of 42.4 % (44.6 %). Of the results, SEK 3.6 million are attributable to AudioDev GmbH

Of the increased sales costs SEK 0.5 million come from increased commissions and SEK 3.4 million are AudioDev GmbH's sales costs.

Of the administration costs, around SEK 5.4 million are integration costs and SEK 0.8 million are costs for restructuring the Malmö business. In Q4 the costs for restructuring are estimated to encumber the results with about a further SEK 5.5 million.

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

Profit/loss after financial items was SEK -41.9 (-33.4) million. Profit shares from the associated company AudioDev Far East are included at SEK 0.7 (1.0) million at this profit level. Of the results, SEK -14.1 million are attributable to AudioDev GmbH.

Profit/loss after tax for the period totalled SEK -30.3 (-22.8) million of which SEK -9.8 million is attributable to AudioDev GmbH.

Financial position

Liquid assets at September 30, 2007 amounted to SEK 42.3 (120.4 at the turn of the year) million. Returns on the above were SEK 1.5 (2.7) million and are included in the net financial income.

Group financial costs were SEK 0.0 (0.0) million for the year. Equity/assets ratio at September 30, 2007 was 86.8 % (81.9 %). Group equity for the end of the period was SEK 176.8 (206.1 at the turn of the year) million.

Cash flow and investments

The Group showed a negative cash flow from current operations of SEK -52.4 (-73.2) million. Of this, SEK 45.1 million comes from ordinary operations and SEK 7.3 million is due to increased capital accumulation in the form of increased stocks and reduced liabilities. The increase in inventory is due to the need to stock critical main components in an effort to ensure future sales. Cash flow for the period totalled SEK -78.1 (-117.0) million.

On February 8, a purchase price of EUR

3.25 million was paid for Steag ETA-Optik, of which EUR 0.6 million was earmarked to repay loans from shareholders.

The acquisition value of AudioDev GmbH is still to be established but it is estimated at SEK 24.4 million with a goodwill value of SEK 1.4 million.

Group gross investments in tangible assets have been made at SEK 2.8 (SEK 3.1) million for the period. Investments are mainly related to computer and measuring equipment.

Personnel

The average number of employees for the period was 112 (96). The number of full-time employees at the Group at the end of the period was 103 (82 at the end of 2006). Of these, 36 are employees at AudioDev GmbH placed in Germany.

The parent company

Net sales for the parent company totalled SEK 68.1 (64.7) million. Profit/loss after financial items was SEK -26.3 (-37.8) million. Investments in tangible fixed assets totalled SEK 1.7 (2.9) million. Disposable liquid assets totalled SEK 37.0 (116.1 at the end of 2006) million.

Development in the third quarter

New orders

New orders for the third quarter totalled SEK 26.3 (27.9) million, of which AudioDev GmbH accounted for SEK 4.7 million. New orders refer principally to blue-laser analyzers, but also an increase in new orders of products and systems outside of optical media can be noted.

Sales

Net sales totalled SEK 23.7 (22.1) million of which SEK 4.0 million are attributable to AudioDev GmbH. Sales refer principally to analyzers for blue-laser formats.

Profit/loss and margins

The gross profit/loss for the third quarter was SEK 9.4 (9.5) million, which equates to a gross margin of 39.9 % (43.1 %). Of the results, SEK 0.8 million are attributable to AudioDev GmbH

Of the administration costs, around SEK 1.8 million are integration costs for the quarter, and SEK 0.8 million are costs for restructuring the Malmö business. In Q4 the costs for restructuring are estimated to encumber the results with about a further SEK 5.5 million.

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

Profit/loss after financial items was SEK -15.0 (-9.7) million. Profit shares from the associated company AudioDev Far East are included at SEK 0.0 (0.2) million at this profit level. Of the results, SEK -5.9 million are attributable to AudioDev GmbH

Profit/loss after tax for the third quarter was SEK -11.0 (-6.8) million.

Cash flow

The Group showed a negative cash flow from current operations of SEK -14.5 (-31.1) million. Of this, SEK -15.8 million comes from ordinary operations and SEK 1.2 million is due to reduced capital accumulation in the form of reduced stocks and increased liabilities. Cash flow for the period totalled SEK -15.1 (-32.8) million.

Accounting principles

From January 1, 2005 AudioDev prepares its financial reports in accordance with IFRS, which is approved by the EU commission. This interim report is thereby prepared according to IAS 34 Interim reporting. For information on the applied accounting principles you are referred to the annual accounts for 2006. The accounting principles are unchanged in comparison to those applied in 2006.

Future reports

- February 13, 2008
Accounting report 2007

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

Malmö, October 18, 2007
AudioDev AB (publ)

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Income Statement (TSEK) *

	July- September 2007	July-September 2006	January – September 2007	January – September 2006	Full year 2006	12 month Rolling
Net sales	23 666	22 062	91 941	77 393	104 564	119 112
Cost of sold goods	-14 223	-12 560	-52 991	-42 843	-66 656	-76 804
Gross profit/loss	9 443	9 502	38 950	34 550	37 909	42 308
Sales costs	-6 956	-7 136	-26 234	-22 635	-30 178	-33 777
R&D costs	-9 751	-8 783	-34 604	-31 089	-42 890	-46 405
Administration costs	-7 688	-4 612	-21 845	-18 237	-22 224	-25 832
Other operating earnings/ expenses	-399	424	-456	316	634	-138
Consolidated income	-15 351	-10 605	-44 189	-37 095	-56 749	-63 844
Profit/loss from shares in associated companies	36	156	732	994	894	632
Net interest	358	717	1 536	2 727	3 510	2 319
Profit/loss after financial items	-14 957	-9 732	-41 921	-33 374	-52 345	-60 893
Tax for the period	3 952	2 978	11 621	10 573	15 569	16 617
Profit/loss for the period	-11 005	-6 754	-30 300	-22 801	-36 776	-44 276
Profit/loss per share, SEK	-0,66	-0,40	-1,81	-1,36	-2,20	-2,65
Profit per share after full dilution, SEK	-0,66	-0,40	-1,81	-1,36	-2,15	-2,65
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) *

	2007-09-30	2006-09-30	2006-12-31
Assets	31 154	14 973	15 312
Inventories	96 885	83 743	75 426
Accounts receivable	20 788	25 965	18 603
Other receivables	12 657	30 843	5 058
Liquid assets	42 259	115 093	120 368
Total assets	203 743	270 617	234 767
Shareholders' equity	176 758	221 568	206 114
Allocations	0	12 748	0
Current liabilities	26 985	36 301	28 653
Total shareholders' equity and liabilities	203 743	270 617	234 767

Cash flow analysis (TSEK) *

	July- September 2007	July- September 2006	January – September 2007	January – September 2006	Full year 2006	12 month Rolling
Cash flow from current operations before changes in operating capital	-15 767	-12 313	-45 135	-44 007	-46 576	-47 705
Changes in operating capital	1 243	-18 847	-7 290	-29 183	-22 523	-629
Cash flow from current operations	-14 524	-31 160	-52 425	-73 190	-69 097	-48 333
Cash flow from investment operations	-169	-1 693	-26 599	-2 975	-3 116	-26 740
Cash flow from funding operations	-398	31	915	-40 869	-39 545	2 239
Cash flow for the period	-15 091	-32 822	-78 109	-117 034	-111 759	-72 834
Liquid assets at the beginning of the period	57 350	147 915	120 368	232 127	232 127	115 093
Liquid assets at the end of the period	42 259	115 093	42 259	115 093	120 368	42 259

Group equity (TSEK) *

	Share capital	Contributed funds	Other reserves	Accrued funds	Total shareholders' equity
Opening balance at January 1, 2006	8 358	35 310	1 715	160 732	206 114
Exchange rate difference from overseas operations			834		834
Price diff. profit/loss for the period				110	110
Profit/loss for the period				-30 300	-30 300
Closing balance at September 30, 2007	8 358	35 310	2 549	130 541	176 758

Key ratios *

	July- September 2007	July- September 2006	January – September 2007	January – September 2006	Full year 2006
Growth in net sales (%)	7,3%	-75,0%	18,8%	-55,7%	-52,0%
Gross margin (%)	39,9%	43,1%	42,4%	44,6%	36,3%
Operating margin (%)	-64,9%	-48,1%	-48,1%	-47,9%	-54,3%
Margin after financial items (%)**	-63,2%	-44,4%	-45,6%	-43,1%	-50,1%
Profit margin (%)	-46,5%	-30,6%	-33,0%	-29,5%	-35,2%
Depreciation (SEK millions)	-0,4	-1,0	-2,8	-3,1	-4,2
Shareholders' equity (MSEK)	176,8	221,6	176,8	221,6	206,1
Capital employed (MSEK)	176,8	221,6	176,8	221,6	206,1
Balance sheet total (MSEK)	203,7	270,6	203,7	270,6	234,8
Rate of return on capital employed (%)	-8,2%	-4,3%	-5,5%	-3,3%	-21,3%
Rate of return on shareholders' equity (%)	-6,0%	-3,0%	-15,8%	-9,0%	-15,0%
Equity/assets ratio (%)	86,8%	81,9%	86,8%	81,9%	87,8%
Capital turnover rate (multiple)	0,1	0,1	0,9	0,3	0,4
No. of employees (average for the period)	113	98	112	96	92
Sales per employee (TSEK)	209	225	821	806	1 137
Operating profit per employee (TSEK)	-136	-108	-395	-386	-617

* 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.