

Year End Report for AudioDev AB

January 1 – December 31, 2007

(Figures in brackets relate to January 1 – December 31 2006)

- Net sales totalled SEK 111.2 (104.6) million
- Profit/loss after financial items was SEK -72.5 (-52.3) million
- Profit/loss for the year totalled SEK -54.7 (-36.8) million and were impacted negatively by the costs of the integration of AudioDev GmbH and for the savings program at the Malmö operation.
- Both the cost savings' program and the integration was completed more rapidly than planned with full effect on the income statement from January 1, 2008. Full effect on cash flow is expected in June, 2008.
- Profit/loss per share after dilution totalled SEK -3.27 (-2.20)
- The order backlog totalled SEK 13.2 (5.8) million at the end of the year

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 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 2.30 p.m. on February 13th 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.

Enhanced product range following the acquisition of Steag ETA-Optik

AudioDev is the world-leading supplier of electrical 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 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.

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 ETA™, CATS™ and GO!™. AudioDev offers a complete package with high precision analyzers, analyzers for production control, including customer support, training and TestCenters across the world.

Strong position in blue-laser, potential for growth in spectrometry

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 red-laser based formats have been in a mature phase for some time, AudioDev does not envisage any increased investment need in the future either.

It is the new High-Definition formats BD and HD DVD that can be expected to drive future growth in optical media instead. 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 dominates the market in terms of sales of electrical test equipment for blue-laser based formats and consolidated this position last year through strategically important orders from several leading producers. These included additional deals with Technicolor and Cinram for deliveries of analyzers. There is still some uncertainty as to the timeline for an exact breakthrough, but AudioDev continues to firmly believe that the blue-laser formats will break through and enjoy strong growth.

At the same time, AudioDev assesses that the market for spectrometry based measurement technology, with its wide range of applications, is extremely important for future growth. For this reason work intensified in 2007 on producing new applications. AudioDev secured a number of orders last year. These included an order in December for an inspection system for optical lenses and a system for inspecting flat panel displays.

Integration and savings work completed more rapidly than planned

AudioDev continued its intensive development of analyzers for blue laser formats, which further strengthened the company's leading position. At the same time we managed the acquisition and integration of the German company AudioDev GmbH, as well as the weak demand that followed the switch from red-laser to blue-laser formats. As a consequence of the weak market, sales finished the year at SEK 111.2 million for the Group (104.6) of which AudioDev AB GmbH accounted for SEK 22.5 million and the other AudioDev companies for SEK 88.7 million.

Market demands for the continued development of blue-laser analyzers prevented the early alignment of the cost structure to reflect the low volumes.

The weak market growth, in combination with the expenses for restructuring and integration, resulted in a loss of SEK 54.7 (loss: 36.8) million, of which SEK -17.9 million was attributable to AudioDev GmbH and SEK -36.8 million to the other AudioDev companies.

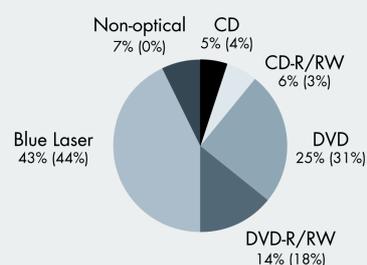
The savings program was concluded quicker than planned which reduced overhead expenses by almost SEK 33 million on an annual basis. From January 1, 2008 AudioDev's operations in Malmö have total overheads of around SEK 55 million. The full effect of cash flow is expected in June 2008.

The integration of AudioDev GmbH, which also proceeded faster than planned, was concluded in the fourth quarter. 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.

In the German operation, the total overheads for last year is expected to remain the same. We see great potential in spectrometry based measurement technology and will therefore be focusing on producing new applications. This will be achieved within AudioDev GmbH's existing cost framework, as efficiency in optical media is expected to improve.

Net sales per product group

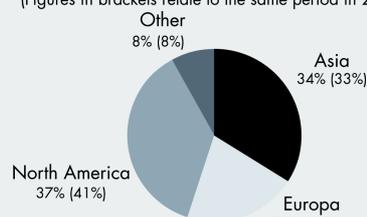
(Figures in brackets relate to the same period in 2006)



January 1 – December 31 2007

Net sales per geographical area

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



January 1 – December 31 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 2007 totalled SEK 113.5 (98.3) million, of which AudioDev GmbH accounted for SEK 23.6 million. The order backlog was SEK 13.2 (5.8) million at the end of the year. SEK 6.5 million of these are attributable to AudioDev GmbH.

Sales

New sales totalled SEK 111.2 (104.6) million of which SEK 22.5 million are attributable to AudioDev GmbH.

Around 43% (44%) of the sales for the year 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 39% (49%) and sales of CD analyzers were 11% (7%) of sales, an increase that was primarily due to AudioDev GmbH's sales. Products not included in optical media accounted for 7% (0%) of 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.

Profit/loss and margins

Gross profit/loss for the year was SEK 40.2 (37.9) million, which equates to a gross margin of 36.2% (36.3%). Of the results, SEK 5.0 million are attributable to AudioDev GmbH. Inventory write-downs totalled SEK 11.8 (15.6) million.

Of the sales costs SEK 1.5 (0.2) million were made up of customer losses. The overall increase in sales costs comes from AudioDev GmbH.

Around SEK 7.7 million of the administration costs relate to the integration of AudioDev GmbH. Restructuring costs for the Malmö operation totalled SEK 7.3 million. No further costs are expected from this restructuring process.

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

Profit/loss after financial items was SEK -72.5 (-52.3) million of which SEK -21.5 million are attributable to AudioDev GmbH. Profit shares from the associated company AudioDev Far East are included at SEK 1.2 (0.9) million at this profit level. Profit/loss after tax totalled SEK -54.7 (-36.8) million of which SEK -17.9 million is attributable to AudioDev GmbH.

Financial position

Liquid assets at December 31, 2007 amounted to SEK 31.0 (120.4) million. Returns on the above were SEK 1.9 (3.6) million and are included in the net financial income. Group financial costs were unchanged at SEK 0.1 (0.1) million for the year. Equity/assets ratio at December 31, 2007 was 78.7% (87.8%). Group shareholders' equity was SEK 150.0 (206.1) million at the end of the year.

Cash flow and investments

The Group showed a negative cash flow from current operations of SEK -57.2 (-69.1) million. Of this, SEK -68.2 million comes from ordinary operations and SEK 10.9 million is due to lower capital accumulation in the form of reduced stocks. Investments in acquisitions of companies of SEK -33.1 (-3.1) million and a cash flow from financing operations of SEK 0.9 (-39.5) million gives a cash flow of SEK -89.4 (-111.8) million.

On February 8 2007, 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 totals SEK 25.5 million and investment in technology are SEK 3.6 million with a deferred tax liability of SEK 1.0 million.

Group gross investments in tangible assets have been made at SEK 4.5 (SEK 3.1) million. Investments are mainly related to computer and measuring equipment.

Personnel

The average number of employees for the year was 108 (92). The number of full-time employees at the Group at the end of the year was 82 (unchanged compared to December 31, 2006). Of these, 31 are employees at AudioDev GmbH placed in Germany. The number of employees in AudioDev AB decreased from 74 to 42 during the year.

The parent company

Net sales for the parent company totalled SEK 80.0 (88.8) million. Profit/loss after financial items was SEK -57.8 (-51.8) million. Investments in tangible fixed assets totalled SEK 3.4 (3.0) million. Disposable liquid assets totalled SEK 28.0 (116.1 at the end of 2006) million.

Development in the fourth quarter

New orders

New orders for the fourth quarter totalled SEK 18.6 (19.8) million, of which AudioDev GmbH accounted for SEK 7.4 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 19.3 (27.2) million of which SEK 5.6 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 fourth quarter was SEK 1.3 (3.4) million, which equates to a gross margin of 6.6% (12.4%). Of the results, SEK 1.4 million are attributable to AudioDev GmbH. Inventory write-downs totalled SEK -5.5 million.

Of the sales costs, customer losses account for SEK 1.5 million.

Of the administration costs, around SEK 2.3 million are integration costs for the quarter, and SEK 6.5 million are costs for restructuring the Malmö business.

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

Profit/loss after financial items was SEK -30.6 (-19.0) million. Profit shares from the associated company AudioDev Far East are included at SEK 0.5 (-0.1) million at this profit level while SEK -8.0 million are attributable to AudioDev GmbH. Profit/loss after tax for the quarter was SEK -24.4 (-14.0) million.

Cash flow

The Group showed a negative cash flow from current operations of SEK -4.8 (4.1) million. Of this, SEK -23.0 million comes from ordinary operations and SEK 18.2 million is due to reduced capital accumulation in the form of reduced stocks. Cash flow from investments of SEK -6.5 (-0.1) and cash flow from financing operations of SEK 0 (1.3) give a cash flow of SEK -11.3 (5.3) million

Important events after end of the year

Warner Bros Entertainments announced in January that the company's blue-laser based titles will be distributed exclusively in BD. This means that around 70 percent of all films in blue-laser format on the US market will be BD based in the future. This could be a step on the road to determining which format, BD or HD DVD, will be the prevailing format in the future.

Risk analysis

Operational risks

Investment patterns in the optical media industry:

The continued development of new and existing formats is the single greatest factor affecting AudioDev's operations. The rapid technical development in relation to consumer acceptance of new formats constitutes the basis for the company's strategic decisions on product development and with it the associated income potential for the company. AudioDev today has the widest range of products on the market in comparison to its competitors, and has as a result spread the risks inherent in the above dependence.

Components and information:

Other business related risks are the availability of components and technical information concerning the various player units.

Financial risks

Currency risk:

AudioDev's global presence means that company sales and profits are dependent on the rate of the Swedish Krona compared to other currencies. Since spring 2003, company sales have been primarily in EUR, which means that the company is mainly dependent on the SEK/EUR exchange rate relationship.

The main financial risks the Group is exposed to are currency risks, credit and counterparty risks.

AudioDev operates a financial policy established by the Board in order to minimise the above risks and to allow financial activities to contribute to good business practices. To ensure control, efficiency and generate synergy effects, the financial function is centralised to the head office in Malmö.

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.

AGM and dividend

The Annual General Meeting will be held on Thursday, April 24, 2007, at 4.30 pm in AudioDev's offices, Kabingatan 9, Malmö.

AudioDev does not have a special nomination committee. These matters shall instead be handled by AudioDev's principal owner, Jan Barchan, in consultation with representatives from the five largest shareholders.

Proposals and viewpoints from shareholders

with respect to the composition of the Board can be submitted in writing to Jan Barchan, AudioDev AB, Kabingatan 9, SE 212 39 Malmö, Sweden in good time ahead of the meeting in 2008.

The annual report is planned for publishing in week 15 when it will be available on the company's website and distributed to all shareholders.

The Board has, like the previous year, decided to propose at the annual 2008 general meeting that the company will not be paying out any dividend. The Board has shelved the issue concerning a new dividend policy until the conditions are favourable to pay out a dividend.

Future reports

- April 24, 2008
Interim report January-March
Annual General Meeting
- July 15
Interim report January-June
- October 17
Interim report January-September

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

Malmö, February 13, 2008
AudioDev AB (publ)

Christer Sjöström
CEO and Group Chief Executive

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Income Statement (TSEK) *

| | Oct-Dec 2007 | Oct-Dec 2006 | Full year 2007 | Full year 2006 |
|---|-----------------|-----------------|-------------------|-------------------|
| Net sales | 19 279 | 27 171 | 111 220 | 104 564 |
| Cost of sold goods | -18 004 | -23 813 | -70 995 | -66 656 |
| Gross profit/loss | 1 275 | 3 358 | 40 226 | 37 909 |
| Sales costs | -10 467 | -7 543 | -36 701 | -30 178 |
| R&D costs | -9 501 | -11 801 | -44 105 | -42 890 |
| Administration costs | -13 425 | -3 987 | -35 270 | -22 224 |
| Other operating earnings/ expenses | 740 | 318 | 284 | 634 |
| Results of operating activities | -31 378 | -19 655 | -75 566 | -56 749 |
| Profit/loss from shares in associated companies | 508 | -100 | 1 240 | 894 |
| Net interest | 268 | 783 | 1 804 | 3 510 |
| Profit/loss after financial items | -30 602 | -18 972 | -72 522 | -52 345 |
| Tax for the period | 6 200 | 4 996 | 17 821 | 15 569 |
| Profit/loss for the period | -24 402 | -13 976 | -54 701 | -36 776 |
| Profit/loss per share, SEK | -1,46 | -0,84 | -3,27 | -2,20 |
| Profit/loss per share after full dilution, SEK | -1,46 | -0,84 | -3,27 | -2,20 |
| No. of shares before dilution, average, thousands | 16 716 | 16 716 | 16 716 | 16 716 |
| No. of shares after dilution, average, thousands | 17 116 | 17 116 | 17 116 | 17 116 |

Balance sheet (TSEK) *

| | 2007-12-31 | 2006-12-31 |
|---|----------------|----------------|
| Assets | 39 658 | 15 312 |
| Inventories | 88 031 | 75 426 |
| Accounts receivable | 24 410 | 18 603 |
| Other receivables | 7 465 | 5 058 |
| Liquid assets | 30 980 | 120 368 |
| Total assets | 190 544 | 234 767 |
| Shareholders' equity | 150 004 | 206 114 |
| Current liabilities | 40 540 | 28 653 |
| Total shareholders' equity and liabilities | 190 544 | 234 767 |

* *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.*

Cash flow analysis (TSEK) *

| | Oct-Dec 2007 | Oct-Dec 2006 | Full year 2007 | Full year 2006 |
|---|-----------------|-----------------|-------------------|-------------------|
| Cash flow from current operations before changes in operating capital | -23 029 | -2 569 | -68 164 | -46 576 |
| Changes in operating capital | 18 207 | 6 661 | 10 917 | -22 523 |
| Cash flow from current operations | -4 822 | 4 092 | -57 247 | -69 097 |
| Cash flow from investment operations | -6 458 | -141 | -33 056 | -3 116 |
| Cash flow from funding operations | 0 | 1 324 | 915 | -39 545 |
| Cash flow for the period | -11 280 | 5 275 | -89 389 | -111 759 |
| Liquid assets at the beginning of the period | 42 259 | 115 093 | 120 368 | 232 127 |
| Liquid assets at the end of the period | 30 979 | 120 368 | 30 979 | 120 368 |

Group equity (TSEK) *

| | Share capital | Contributed funds | Other reserves | Accrued funds | Total shareholders' equity |
|---|---------------|-------------------|----------------|----------------|----------------------------|
| Opening balance at January 1, 2007 | 8 358 | 35 310 | 1 715 | 160 731 | 206 114 |
| Exchange rate difference from overseas operations | | | -667 | | -667 |
| Exchange rate difference from acquired business | | | 159 | | 159 |
| Price diff. profit/loss for the period | | | | -900 | -900 |
| Profit/loss for the period | | | | -54 702 | -54 702 |
| Closing balance at December 31, 2007 | 8 358 | 35 310 | 1 207 | 105 129 | 150 004 |

Key ratios *

| | Oct-Dec 2007 | Oct-Dec 2006 | Full year 2007 | Full year 2006 |
|--|-----------------|-----------------|-------------------|-------------------|
| Growth in net sales (%) | -29,0% | -36,8% | 6,4% | -52,0% |
| Gross margin (%) | 6,6% | 12,4% | 36,2% | 36,3% |
| Operating margin (%) | -162,8% | -72,3% | -67,9% | -54,3% |
| Margin after financial items (%)** | -158,7% | -69,8% | -65,2% | -50,1% |
| Profit margin (%) | -126,6% | -51,4% | -49,2% | -35,2% |
| Depreciation (SEK millions) | -3,7 | -1,0 | -6,5 | -4,2 |
| Shareholders' equity (MSEK) | 150,0 | 206,1 | 150,0 | 206,1 |
| Capital employed (MSEK) | 150,0 | 206,1 | 150,0 | 206,1 |
| Balance sheet total (MSEK) | 190,5 | 234,8 | 190,5 | 234,8 |
| Rate of return on capital employed (%) | -18,6% | -8,8% | -40,7% | -21,3% |
| Rate of return on shareholders' equity (%) | -14,9% | -6,5% | -30,7% | -15,0% |
| Equity/assets ratio (%) | 78,7% | 87,8% | 78,7% | 87,8% |
| Capital turnover rate (multiple) | 0,1 | 0,1 | 0,6 | 0,4 |
| No. of employees (average for the period) | 110 | 94 | 108 | 92 |
| Sales per employee (TSEK) | 175 | 289 | 1 030 | 1 137 |
| Operating profit per employee (TSEK) | -285 | -209 | -700 | -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.*

Parent company

Income Statement (TSEK)

| | Oct-Dec 2007 | Oct-Dec 2006 | Full year 2007 | Full year 2006 |
|---|-----------------|-----------------|-------------------|-------------------|
| Net sales | 11 937 | 24 112 | 80 023 | 88 773 |
| Cost of sold goods | -13 829 | -23 469 | -52 935 | -65 109 |
| Gross profit/loss | -1 892 | 643 | 27 089 | 23 665 |
| Sales costs | -5 867 | -6 037 | -22 514 | -22 570 |
| R&D costs | -7 162 | -11 801 | -37 056 | -42 890 |
| Administration costs | -9 024 | -3 462 | -19 703 | -19 665 |
| Other operating earnings/ expenses | 747 | 318 | 282 | 634 |
| Results of operating activities | -23 198 | -20 339 | -51 902 | -60 826 |
| Profit/loss from shares in group companies | -9 161 | 4 682 | -9 161 | 4 682 |
| Profit/loss from shares in associated companies | 0 | 909 | 915 | 909 |
| Net interest | 870 | 766 | 2 357 | 3 452 |
| Profit/loss after financial items | -31 489 | -13 982 | -57 791 | -51 783 |
| Appropriations | | 45 686 | | 45 686 |
| Estimated tax | 6 118 | -7 768 | 13 482 | 2 817 |
| Profit/loss for the period | -25 371 | 23 936 | -44 309 | -3 280 |

Balance sheet (TSEK)

| | 2007-12-31 | 2006-12-31 |
|---|----------------|----------------|
| Assets | 57 841 | 19 254 |
| Inventories | 67 772 | 74 910 |
| Accounts receivable | 12 288 | 15 113 |
| Other receivables | 26 850 | 5 122 |
| Liquid assets | 27 966 | 116 098 |
| Total assets | 192 717 | 230 497 |
| Shareholders' equity | 158 322 | 202 633 |
| Current liabilities | 34 395 | 27 864 |
| Total shareholders' equity and liabilities | 192 717 | 230 497 |