

# Interim report for AudioDev AB

January 1 – March 31, 2007

(Figures in brackets relate to January-March 2006)

- Net sales totalled SEK 33.2 (32.0) million.
- Profit/loss after financial items was SEK -10.3 (-7.3) million.
- Profit/loss for the period was SEK -9.7 (-4.6) million.
- Profit/loss per share amounted to SEK -0.58 (-0.28)
- The backlog of orders was SEK 12.5 (5.0) million at the end of the period.
- Steag ETA-Optik GmbH (ETA) was acquired from HamaTech AG on February 8.

**Note:** ETA is consolidated into the Group from the acquisition and day of possession on February 8 and is thereby included in the figures for 2007 from this 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 screens and other industrial applications where thin layers need to be checked for quality with respect to colour determination, measuring thickness and density. AudioDev offers a complete package including 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 Stockholm Stock Exchange since September 2000 (Nordic List, Small Cap).*

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

Since its start in 1987, AudioDev has reached a position of being a world-leading manufacturer 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.

Moreover, growth is to be secured by expanding the market for AudioDev's technology. This is 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. ETA's product range includes both in-line (scanners) and off-line analyzers, which complements AudioDev's products. In addition, the company has products for applications outside of optical media that provide a platform for growth in new markets.

Following the acquisition, AudioDev is now active in industries such as optical media manufacturing, flat screen and other industrial applications where thin layers need to be checked for quality 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.

## Progressing to a mature market. Growth in blue laser and new product ranges.

Over the first quarter, as was the case last year, the optical media industry has been characterised by limited investment in production and test equipment with respect to the traditional formats DVD and DVD-R/RW.

Growth in optical media can be attributed primarily to the blue-laser based formats BD and HD DVD. The growing need for storage capacity for games, films and software will be a key driving force when High Definition TV (HD-TV) becomes firmly established. Sales of production and test equipment for these formats are expected to increase gradually.

Over the quarter, AudioDev has continued to take strategically important orders from several of the industry's leading players, and has thereby succeeded in retaining its market-leading position in the blue-laser segment despite ever stiffening competition.

In addition to the development of the blue-laser based formats, we assess that the market for optical media as a whole is entering a more mature phase.

The acquisition of ETA is an important step in the process of expanding AudioDev's range with complementary and closely related products in the areas of technological and market synergies. There are many new applications here for AudioDev, such as flat computer- and TV-screens (Flat Panel Displays), where technological product development stages are contributing to a growing demand.

## Continued focus on development. Integration work underway.

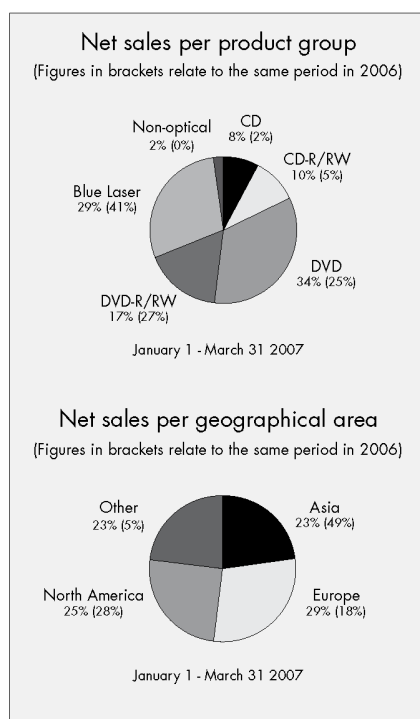
Over the period AudioDev has continued to make major R&D investments in order to retain and develop its leading position in blue-laser.

The savings programme that was implemented in 2006 does not mean that we have finished fine-tuning the business. We have continued working on identifying and initiating additional savings in the quarter in order to adapt the business to match the prevailing conditions as far as possible.

We were able to begin the process of integration of ETA immediately after the

acquisition and this has developed as planned over the period. Work is currently underway on integrating the sales and marketing organisations, primarily through AudioDev's sales networks gaining access to ETA's product range. As a result we can grow our market presence for ETA's products substantially in the strategically important markets in China, Taiwan, Japan and the US. We expect to start seeing the effects of this as early as the second quarter of 2007.

ETA is consolidated into the Group from the acquisition and day of possession on February 8 and is thereby included in the figures for 2007 from this date.



### New orders and backlog

New orders for the period totalled 34.8 (24.9) million, of which ETA accounted for SEK 5.6 million. The backlog of orders was SEK 12.5 (5.0) million at the end of the period. SEK 6.2 million of these are attributable to ETA.

### Sales

Net sales totalled 33.2 (32.0) million, of which SEK 4.5 million is attributable to ETA.

About a third of sales for the quarter were made up of analyzers for the blue laser

formats, BD and HD DVD, while the remaining share was primarily made up of sales of analyzers for DVD and DVD-R/RW (see diagram). Sales of CD analyzers represented around 18 % of sales, which is an increase that is mainly attributable to ETA 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 for a DVD analyzer) the distribution is generally in line with expectations for the first quarter.

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

### Profit/loss and margins

Gross profit for the period was SEK 15.7 (16.5) million, which equates to a gross margin of 47.4 % (51.7 %).

Of the increased sales costs SEK 1.0 million come from increased commissions and SEK 0.8 million are ETA's sales costs.

Around SEK 1.5 million of the administration costs relate to integration costs.

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

Profit/loss after financial items was SEK -10.3 (-7.3) million. Profit shares from the associated company AudioDev FarEast are included in this profit level.

Profit/loss for the period after tax was SEK -9.7 (-4.6) million. The profit margin was -29.4% (-14.5%).

### Financial position

Liquid assets totalled SEK 76.2 (211.8) million as of March 31, 2006. Returns on the above were SEK 0.7 (1.1) million and are included in the net financial income. Group financial costs were SEK 0.0 (0.0) million for the year. The equity/assets ratio at March 31, 2007 was 86.4 % (87.0 %). Group equity was SEK 197.2 (280.1) million at the end of the period.

### Cash flow and investments

The Group showed a negative cash flow from current operations of SEK -18.7 (-19.3) million. Assets tied up in operating capital have increased by SEK 7.1 million due to

increased inventories and reduced liabilities. Cash flow for the period was SEK -44.1 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 used to repay loans from shareholders.

The acquisition value for ETA is still to be finalised but is estimated at SEK 24.4 million with a recorded goodwill value of SEK 1.4 million.

Group gross investments in tangible assets have been made at SEK 1.6 (0.9) million for the period. Investments are mainly related to computer and measuring equipment.

### Personnel

The average number of employees for the period was 107 (105). The number of full-time employees at the company at the end of the period was 114 (82 at the end of 2006). Of these, 36 are employees at ETA in Germany.

### The parent company

Net sales for the parent company totalled SEK 25.8 (27.7) million. Profit/loss after financial items was SEK -8.9 (-9.4) million. Investments in tangible fixed assets totalled SEK 1.6 (0.8) million. Disposable liquid assets totalled SEK 69.2 (228.9 at the end of 2006) 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, we refer you to the annual report for 2006. The accounting principles are unchanged from those applied in 2006.

## Future reports

- July 19, 2007  
Interim report, January-June
- October 18, 2007  
Interim report, January-September
- February 2008  
Accounting report 2007

---

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

Malmö, April 25, 2007  
AudioDev AB (publ)

**Christer Sjöström**  
CEO and Group Chief Executive

#### For more information, please contact:

Christer Sjöström, Chief Executive Officer, Tel: +46 40 690 49 00, +46,705 45 64 55  
E-mail: christer.sjostrom@audiodev.com

Anna Thelander, Chief Financial Officer, Tel: +46 40 690 49 42, Mobil: +46 709 694920,  
E-mail: anna.thelander@audiodev.com

## Income Statement (TSEK) \*

	January – March 2007	January – March 2006	Full year 2006	12 month Rolling
Net sales	33 175	31 980	104 564	105 759
Cost of sold goods	-17 438	-15 440	-66 656	-68 654
<b>Gross profit</b>	<b>15 737</b>	<b>16 540</b>	<b>37 909</b>	<b>37 105</b>
Sales expenses	-9 895	-8 095	-30 178	-31 978
R&D costs	-11 474	-11 123	-42 890	-43 241
Administration expenses	-6 054	-6 242	-22 224	-22 036
Other operating earnings/ expenses	39	-122	634	795
<b>Operating profit</b>	<b>-11 647</b>	<b>-9 043</b>	<b>-56 749</b>	<b>-59 355</b>
Profit/loss from shares in associated companies	613	695	894	812
Financial net	709	1 090	3 510	3 129
<b>Profit/loss after financial items</b>	<b>-10 325</b>	<b>-7 257</b>	<b>-52 345</b>	<b>-55 413</b>
Tax for the period	586	2 620	15 569	13 535
<b>Profit for the period</b>	<b>-9 739</b>	<b>-4 637</b>	<b>-36 776</b>	<b>-41 878</b>
Profit/loss per share, SEK	-0.58	-0.28	-2.20	-2.51
Profit/loss per share after full dilution, SEK	-0.57	-0.27	-2.15	-2.45
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) \*

	31/03/07	31/03/06	31/12/06
Assets	22 806	14 690	15 312
Inventories	98 696	56 387	75 426
Accounts receivable.	23 218	24 005	18 603
Other receivables	7 293	14 889	5 058
Liquid assets	76 244	211 482	120 368
<b>Total assets</b>	<b>228 257</b>	<b>322 083</b>	<b>234 767</b>
Shareholders' equity	197 180	280 141	206 114
Allocations	0	12 753	0
Current liabilities	31 077	29 189	28 653
<b>Total shareholders' equity and liabilities</b>	<b>228 257</b>	<b>322 083</b>	<b>234 767</b>

## Cash flow analysis (TSEK) \*

	January – March 2007	January – March 2006	Full year 2006	12 month Rolling
Cash flow from current operations before changes in operating capital	-11 618	-10 478	-46 576	-47 716
Changes in operating capital	-7 082	-8 837	-22 523	-20 767
Cash flow from current operations	-18 700	-19 315	-69 097	-68 482
Cash flow from investment operations	-25 424	-866	-3 116	-27 674
Cash flow from funding operations	0	-104	-39 545	-39 441
<b>Cash flow for the period</b>	<b>-44 124</b>	<b>-20 285</b>	<b>-111 759</b>	<b>-135 598</b>
Liquid assets at the beginning of the period	120 368	232 127	232 127	211 842
Liquid assets at the end of the period	76 244	211 842	120 368	76 244

## Group equity (TSEK) \*

	Share capital	Contributed funds	Other reserves	Accrued funds	Total shareholders' equity
<b>Opening balance at January 1, 2006</b>	<b>8 358</b>	<b>35 310</b>	<b>1 715</b>	<b>160 732</b>	<b>206 114</b>
Exchange rate difference from overseas operations			836		<b>836</b>
Price diff. profit/loss for the period				-32	<b>-32</b>
Profit/loss for the period				-9 739	<b>-9 739</b>
<b>Closing balance at March 31, 2007</b>	<b>8 358</b>	<b>35 310</b>	<b>2 551</b>	<b>150 961</b>	<b>197 180</b>

## Key ratios \*

	January – March 2007	January – March 2006	Full year 2006
Growth in net sales (%)	3.7%	7.7%	-52.0%
Gross margin (%)	47.4%	51.7%	36.3%
Operating margin (%)	-35.1%	-28.3%	-54.3%
Margin after financial items (%)**	-31.1%	-22.7%	-50.1%
Profit margin (%)	-29.4%	-14.5%	-35.2%
Depreciation (MSEK)	-1.2	-1.1	-4.2
Shareholders' equity (MSEK)	197.2	280.1	206.1
Capital employed (MSEK)	197.2	280.1	206.1
Balance sheet total (MSEK)	228.3	322.1	234.8
Rate of return on capital employed (%)	-5.1%	-2.6%	-21.3%
Rate of return on shareholders' equity (%)	-4.8%	-1.6%	-15.0%
Equity/assets ratio (%)	86.4%	87.0%	87.8%
Capital turnover rate, multiple	0.2	0.1	0.4
No. of employees (average for the period)	107	105	92
Net sales per employee (TSEK)	310	305	1 137
Operating profit per employee (TSEK)	-109	-86	-617

\* ETA is consolidated into the Group from the acquisition and day of possession 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