

Year-end Report for AudioDev AB

1 January – 31 December 2008
(Figures in brackets relate to 2007)

- Net sales for the year totalled SEK 116.0 (111.2) million
- Profit/loss after financial items was SEK -44.4 (-72.5) million
- Profit/loss after tax was SEK -45.4 (-54.7) million
- Earnings per share after full dilution was SEK -2.72 (-3.27)
- The backlog of orders at year-end was SEK 6.6 (13.2) million
- The cost-savings programme implemented in our German operation will attain full effect in the second quarter of 2009

The Swedish Securities Market Act and/or the Swedish Securities Trading Act requires that AudioDev AB release this information. This information was made public at 3 pm on 13 February.

AudioDev is a world-leading supplier of complete solutions for quality control of optical media and of inspection systems for quality assurance in 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!™. Customers include manufacturers of optical media, flat panel displays and other industrial applications where thin layers need to be quality assured as regards colour determination, thickness measurements, density and more. AudioDev has a complete offering that includes high precision analyzers, analyzers for production control, extensive customer support, training and TestCenters around the world.

Net sales in 2008 were SEK 116 million, with the largest markets being in the US, Asia and Europe. The head office is in Malmö, Sweden AudioDev has been listed on the NASDAQ OMX Stockholm exchange since September 2000.

AudioDev in brief

AudioDev is active in quality control of optical media, flat panel displays and other industrial applications where thin layers need to be quality assured as regards colour, thickness, density and more. The group's products for quality assurance and production efficiency are marketed under the brands ETA™, CATS™ and GO!™.

AudioDev is a world-leading supplier of signal analyzers for quality control of optical media such as CD, DVD and BD (Blu-ray Disc). The company dominates the market for blue laser-based formats and holds 50% of the global market for red laser-based formats. AudioDev offers a complete range of high precision analyzers, analyzers for production control, extensive customer support and training at TestCenters around the world.

A cornerstone of the company's strategy in optical media is to use its leading market position to exploit new formats.

Expanding the market for AudioDev's technology will enable additional growth. This will be achieved in part by developing core activities and in part by acquiring closely-related businesses. The acquisition of German Steag ETA-Optik, now AudioDev GmbH, in 2007 was the first step of this growth strategy. This business is specialized in metrology and spectrometry, with a product range that includes inline and offline analyzers for optical media and products for applications outside optical media. Together, these products and technologies provide a platform for continued growth.

Market development

The format war between the BD and HD DVD blue laser-based techniques culminated in 2008 after Warner Bros Entertainment expressed its support for BD, a move that was followed by other market players. With the end of the format war, the greatest market uncertainty factor was eliminated.

With BD emerging as the winning format many optical media manufacturers were forced to assess and evaluate the situation. Companies that had invested solely in HD DVD faced new challenges; challenges that required new investment decisions. At the same time, demand has not really picked up as most consumers are yet to see the overall benefits of high definition formats. This is due in part to the

low number of high definition television broadcasts and in part to players capable of reading BD format being relatively expensive and the limited availability of high definition media, such as films. This is particularly pronounced in the European market.

In the North American market the entertainment industry has funded extensive information campaigns and a broader consumer group is becoming increasingly aware of the advantages of high definition quality television broadcasts and films. As a result, the prices of players and discs have started to drop and sales have started to increase, even if from a relatively low level. Further to this, at the beginning of the year most trade magazines published reports showing that the BD format has achieved faster market penetration than other formats did at the same stage of the product lifecycle. This provides yet more indication that households are ready to embrace the BD format.

The European market has also shown increased interest in BD, with the last two months of 2008 representing a large share of the increase in demand for BD-related consumer products. However, AudioDev's assessment is that Europe is at least 18 months behind the US in terms of market development.

During the period, AudioDev noted increased activity among competitors, resulting in tougher market competition. The market for manufacturing and testing equipment is currently mostly focused on pre-recorded material. This is natural as the greatest driving force behind the BD format is HD film and TV. When consumers need to record HD material AudioDev expects demand for recordable optical media to gain momentum, and thereby even demand for test equipment. AudioDev does not expect this to happen until the market for pre-recorded optical media has reached a considerable size. AudioDev remains strongly convinced that the BD format will show good growth.

The optical media industry's manufacturing processes for red laser-based formats such as DVD and DVD-R/RW are well-established and technically reliable, which has limited the need for manufacturers to invest in new production equipment, including analyzers. As these formats matured some time ago, AudioDev does not foresee any increase in investment needs.

The market for thin film metrology, TFM, encompasses widely different application areas as today thin films are used in several industries, such as in packaging, solar cell and flat panel display manufacturing. In addition to conventional measurement solutions, manufacturers in these industries are in need of other measurements for which there are essentially no commercially available solutions at present. Taken together, during the

period these factors reinforced the company's confidence in market opportunities.

AudioDev's development

The company notes increased interest in the BD format and is well equipped to meet increased demand. Today, all new investment decisions concern the BD format and most orders AudioDev receives are for use in production. Previously, analyzer orders were primarily for development purposes for different players in optical media. During the second quarter AudioDev managed to win the largest ever single order for blue laser analyzers, as well as several orders from major players. During the fourth quarter AudioDev launched a complementary product, a so-called stamper analyzer for BD, which is expected to bolster the entire offering and make a positive contribution to sales and profits in 2009. AudioDev has long supplied stamper analyzers for CD and DVD formats. During the period AudioDev also expanded its service offering when on 30 December the company was approved as the official test center for BD-ROM Media (Data/Video) in Europe.

The market for thin film metrology, encompassing many different application areas, is also assessed as very important to AudioDev's future growth. AudioDev has the capacity to develop and deliver metrology solutions for these application areas based on our existing technology. Moreover, the company's TFM solutions have been well received by the market and exhibited good growth compared with the previous year. The company has received strategically important orders from customers that lead the field in their industries. Work to develop the TFM business continued in the second half of the year, focused on delivery processes but also on customers, with onsite verification test currently underway at a number of customers in a couple of very promising application areas.

During the fourth quarter a cost-savings programme was implemented in our German operation and these measures will reach full effect during the second quarter of 2009. The programme aims to cut costs primarily in optical media, as well as to increase the focus on TFM operations.

Development during the period

New orders and backlog

New orders for the period totalled SEK 109.5 (113.5) million, of which SEK 25.6 (23.6) million is attributable to AudioDev GmbH. The backlog of orders at the end of the period was SEK 6.6 (13.2) million. Of this amount, SEK 5.5 (6.5) million is attributable to AudioDev GmbH.

Sales

Net sales totalled SEK 116.0 (111.2) million, of which SEK 26.7 (22.5) million is attributable to AudioDev GmbH.

About 36% (43%) of sales for the period comprised analyzers for the blue laser formats, BD and HD DVD. Analyzers for DVD and DVD-R/RW comprised 40% (39%) of sales while CD analyzers comprised 11% (11%) of sales. Products not included in optical media, TFM, comprised 13% (7%) of sales.

Profit/loss and margins

Gross profit for the year was SEK 38.4 (40.2) million, corresponding to a gross margin of 33.1% (36.2%). SEK -4.1 (5.0) million of this gross profit is attributable to AudioDev GmbH. Stock write-downs during the year totalled SEK 11.7 (11.9) million, burdening profit. Of this amount, SEK 6.7 million is attributable to AudioDev GmbH, primarily due to a discontinued product.

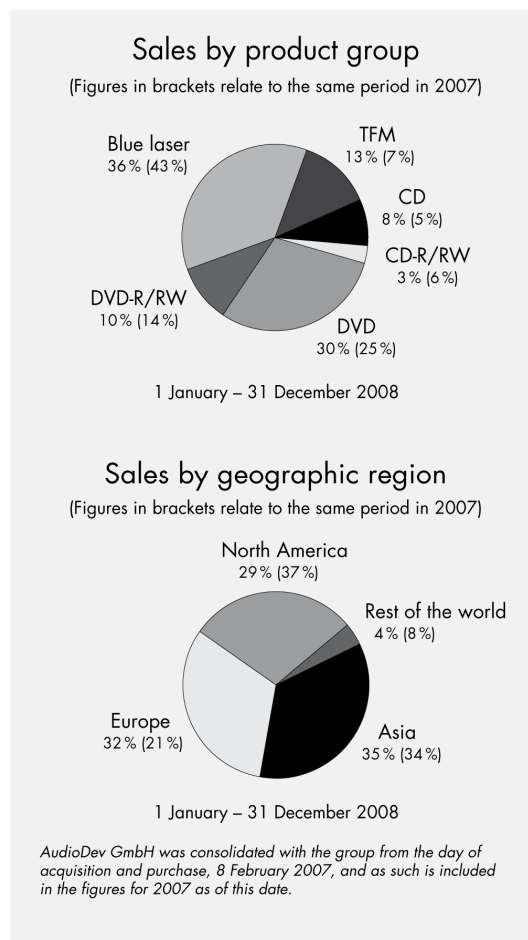
Bad debt losses comprised SEK 0.0 (1.5) million of sales costs. Provisions for personnel served notice as a result of restructuring in Germany comprised SEK 2.6 million of administrative costs (in 2007 SEK 7.3m comprised severance pay and SEK 7.7m integration costs). The cost-savings programme conducted at AudioDev GmbH during the fourth quarter of 2008 will attain its full effect on the company's profit as of April 2009. This will result in savings of SEK 8.3 million in 2009 and annual savings of SEK 8.6 million. As for cash flow, the effects will be noticeable from February 2009 but will not reach full effect until January 2010.

The "Other operating income/expenses" item comprises the effects of business-related currency fluctuations and the substantial increase in the euro and dollar exchange rates during the second half of 2008, resulting in a positive contribution to operating profit of SEK 7.1 (0.3) million.

Profit/loss after financial items was SEK -44.4 (-72.5) million, of which SEK -28.3 (-21.5) million is attributable to AudioDev GmbH. At this level profit includes a profit participation in the associated

company AudioDev Far East of SEK 0.9 (1.2) million. Market valuations of futures in EUR and USD affect profit in the amount of SEK -4.4 (0.0) million.

Profit/loss after tax totalled SEK -45.4 (-54.7) million, of which SEK -31.1 (-17.9) million is attributable to AudioDev GmbH. The deferred tax claim held by the parent company has been recalculated at a tax rate of 26.3% instead of 28% and the deferred tax claim held by AudioDev GmbH has been adjusted to SEK 0 million. This results in estimated tax of SEK -1.0 (17.8) million.



Financial position

Liquid assets at 30 December 2008 amounted to SEK 11.7 million (SEK 31.0m at the end of December 2007). Returns on the above were SEK 0.6 (1.9) million and are included in net financial income. Consolidated financial costs totalled SEK 5.0 (0.1) million for the year, with market valuations of futures comprising SEK 4.4 million of this amount.

The equity/assets ratio at 31 December 2008 was 61.2% (78.7%). Consolidated equity was SEK 103.8 (150.0) million at year-end.

Cash flow and investments

The group reports a negative cash flow from operating activities of SEK -16.8 (-57.2) million. Of this amount, SEK -32.9 million is attributable to ordinary operations and SEK 16.1 million is attributable to reductions in capital tied up in the form of reduced stocks and increased liabilities. Added to this are investments of SEK -3.4 (-33.1 including business acquisitions) and cash flow from financing activities of SEK 1.0 (0.9) resulting in cash flow for the year of -19.3 (-89.4) million. No dividends were distributed to the shareholders during the year.

Consolidated gross investments in tangible fixed assets during the year totalled SEK 3.4 (4.5) million. These investments mainly concern computer and measuring equipment.

Personnel

The average number of employees for the period was 81 (108). The group had 79 (82) fulltime employees at the end of the period.

The parent company

Net sales for the parent company totalled SEK 81.1 (80.0) million. Profit/loss after financial items was SEK -61.7 (-57.8) million. Of this amount, SEK 46.1 million comprised write-downs of shares in subsidiaries. Investments in tangible fixed assets totalled SEK 0.6 (3.4) million. Available liquid assets totalled SEK 9.2 million (SEK 28.0m at the end of December 2007).

Fourth quarter

New orders

New orders for the fourth quarter totalled SEK 17.6 (18.6) million, of which SEK 4.5 (7.4) million is attributable to AudioDev GmbH.

Sales

Net sales totalled SEK 25.6 (19.3) million, of which SEK 4.4 (5.6) million is attributable to AudioDev GmbH.

Profit/loss and margins

Gross profit for the fourth quarter was SEK 1.5 (1.3) million, corresponding to a gross margin of 5.9% (6.6%). Of this amount, SEK -4.0 (1.4) million is attributable to AudioDev GmbH. Stock write-downs totalled SEK 7.9 (5.5) million. Of this amount, SEK 6.7 million is attributable to AudioDev GmbH, primarily due to a discontinued product.

Of administrative costs, SEK 2.6 million comprised provisions for personnel served notice as a result of restructuring in Germany (in the fourth quarter of 2007, SEK 6.5m comprised severance pay and SEK 2.3m integration costs). The cost-savings programme conducted at AudioDev GmbH during the fourth quarter of 2008 will attain its full effect on the company's profit as of April 2009. This will result in savings of SEK 8.3 million in 2009 and annual savings of SEK 8.6 million. In terms of cash flow, the effects will be noticeable from February 2009 but will not reach full effect until January 2010.

The "Other operating income/expenses" item comprises the effects of business-related currency fluctuations and the substantial increase in the euro and dollar exchange rates during the second half of 2008, resulting in a positive contribution to profit of SEK 4.9 (-0.7) million.

Profit/loss after financial items was SEK -23.1 (-30.6) million, of which SEK -18.0 (-8.0) million is attributable to AudioDev GmbH. At this level, profit includes a profit participation in the associated company AudioDev Far East of SEK -0.1 (0.5) million. Market valuations of futures in EUR and USD affect profit in the amount of SEK -4.4 (0.0) million.

Profit/loss after tax totalled SEK -27.3 (-24.4) million. The deferred tax claim held by the parent company has been recalculated at a tax rate of 26.3% instead of 28% and the deferred tax claim held by AudioDev GmbH has been adjusted to SEK 0 million. This results in estimated tax of SEK -4.2 (6.2) million.

Cash flow

The group reports a negative cash flow from operating activities of SEK -5.9 (-4.8) million. Of this amount, SEK -15.8 (23.0) million is attributable to ordinary operations and SEK 9.9 (18.2) million is attributable to reductions in capital tied up in the form of reduced stocks and increased liabilities. Cash flow for the quarter totalled SEK -7.3 (-11.3) million.

Risk description

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.

Today, AudioDev has the broadest product offering on the market in comparison with its competitors, and as a result has 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.

New technical applications for thin film metrology

AudioDev is pursuing several development projects for the application of TFM in the production of, for example, solar cells and OLED lighting. Whether these solutions fulfil the requirements of full-scale commercialization is yet to be determined.

Financial risks

Currency risk:

AudioDev's global presence means that company sales and profits are dependent on the exchange rate of the Swedish krona against 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 trend.

The main financial risks to which the group is exposed are currency risk, credit risk and counterparty risk.

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

At the end of 2008, the AudioDev Group had liquid assets totalling SEK 12 million. The group's business plan indicates positive cash flow for 2009. An uncertain business climate and the prevailing recession, combined with continued uncertainty as to when Blu-ray equipment sales will truly take off, prevents a less favourable outcome from being ruled out. Consequently, in order to secure the availability of liquid assets during the first half of 2009 the company's principal shareholder Briban Invest AB has provided a surety. Briban Invest AB has also expressed its intention – should it prove necessary – to act to extend the surety until the end of 2009 or to otherwise secure the liquid assets required by AudioDev if it is to continue operating. The board and executive management closely monitor the level of liquid assets and are well prepared to take any measures necessary to secure financing for the business.

Events after the end of the financial year

On 6 February 2009, AudioDev AB received a surety of SEK 15 million from Briban Invest AB that extends until 30 June 2009.

Accounting principles

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

AGM and dividends

The annual general meeting will be held on 23 April 2008, starting 4.30 pm, in AudioDev's offices at Kabingatan 9 in Malmö, Sweden.

In accordance with the decision of the AGM, a nominating committee has been appointed. The committee members are Jan Barchan (appointed by Briban Invest AB), Ola Gilstring (appointed by

Gustavia Fonder) and Sune Higberg. The committee is tasked with proposing, in preparation for the 2009 AGM, nominees for: (i) chair of the AGM; (ii) chair of the board and other board members; and (iii) board fees to be distributed between the chair and the other board members.

Shareholder suggestions and opinions regarding the composition of the board should be submitted in writing to Jan Barchan, AudioDev AB, Kabingatan 9, SE-212 39 Malmö, Sweden in good time before the 2009 AGM.

The annual report is expected to be published during the week ending 12 April (week 15) and will be available at the company's website and distributed to all shareholders.

The board has decided, as was the case last year, to propose at the 2009 AGM that the company does not distribute any dividends. The board has postponed the matter of a new dividend policy until conditions favour the distribution of dividends.

Future reports

- 23 April – interim report for the first quarter and AGM
- 14 July – interim report for the second quarter
- 20 October – interim report for the third quarter
- February 2010 – year-end report

This year-end report has not been reviewed by the company's auditors.

Malmö, Sweden, 13 February 2009
AudioDev AB (publ)

Christer Sjöström
CEO and Group President

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Group Income statement (SEK thousands) *

	Oct-Dec 2008	Oct-Dec 2007	Full year 2008	Full year 2007
Net sales	25 637	19 279	116 031	111 220
Cost of sold goods	-24 136	-18 004	-77 620	-70 995
Gross profit/loss	1 501	1 275	38 411	40 226
Sales costs	-10 835	-10 467	-35 789	-36 701
R&D costs	-7 205	-9 501	-28 609	-44 105
Administration costs	-6 732	-13 425	-22 100	-35 270
Other operating income/expenses	4 934	740	7 098	284
Operating profit	-18 337	-31 378	-40 989	-75 566
Profit/loss from participations in associated companies	-86	508	942	1 240
Net interest	-315	268	-13	1 804
Market valuations, futures	-4 362	-	-4 362	-
Profit/loss after financial items	-23 100	-30 602	-44 422	-72 522
Estimated tax	-4 189	6 200	-980	17 821
Profit/loss for the period	-27 289	-24 402	-45 402	-54 701
Earnings per share, SEK	-1,63	-1,46	-2,72	-3,27
Earnings per share after full dilution, SEK	-1,63	-1,46	-2,72	-3,27
Shares before dilution, average, thousands	16 716	16 716	16 716	16 716
Shares after dilution, average, thousands	17 116	17 116	17 116	17 116

Balance sheet (SEK thousands) *

	2008-12-31	2007-12-31
Fixed assets	35 208	39 658
Stock	68 052	88 031
Accounts receivable	41 647	24 410
Other receivables	12 849	7 465
Liquid assets	11 687	30 980
Total assets	169 443	190 544
Equity	103 755	150 004
Current liabilities	65 688	40 540
Total equity and liabilities	169 443	190 544

*AudioDev GmbH was consolidated with the group from the day of acquisition and purchase, 8 February 2007, and as such is included in the figures for 2007 as of this date.

Group Cash flow statement (SEK thousands) *

	Oct-Dec 2008	Oct-Dec 2007	Full year 2008	Full year 2007
Cash flow from operating activities before changes in working capital	-15 760	-23 029	-32 883	-68 164
Changes in working capital	9 865	18 207	16 071	10 917
Cash flow from operating activities	-5 895	-4 822	-16 812	-57 247
Cash flow from investing activities	-1 455	-6 458	-3 431	-33 056
Cash flow from financing activities	-	-	951	915
Cash flow for the period	-7 350	-11 280	-19 293	-89 389
Liquid assets at the beginning of the period	19 036	42 259	30 980	120 368
Liquid assets at the end of the period	11 687	30 980	11 687	30 980

Equity (SEK thousands) *

	Share capital	Contributions	Other reserves	Retained earnings	Total equity
Opening balance at 1 January 2008	8 358	35 310	1 206	105 129	150 003
Translation difference, overseas operations			2 457		2 457
Exchange rate difference, profit/loss for the year				-3 303	-3 303
Profit/loss for the year				-45 402	-45 402
Closing balance at 31 December 2008	8 358	35 310	3 663	56 424	103 755

Key ratios *

	Oct-Dec 2008	Oct-Dec 2007	Full year 2008	Full year 2007
Growth in net sales (%)	33,0%	-29,0%	4,3%	6,4%
Gross margin (%)	5,9%	6,6%	33,1%	36,2%
Operating margin (%)	-71,5%	-162,8%	-35,3%	-67,9%
Margin after financial items (%)**	-90,1%	-158,7%	-38,3%	-65,2%
Profit margin (%)	-106,4%	-126,6%	-39,1%	-49,2%
Depreciation (SEK millions)	-1,7	-3,7	-6,8	-6,5
Equity (SEK millions)	103,8	150,0	103,8	150,0
Capital employed (SEK millions)	103,8	150,0	103,8	150,0
Balance sheet total (SEK millions)	169,4	190,5	169,4	190,5
Return on capital employed (%)	-15,6%	-18,6%	-31,1%	-40,7%
Return on equity (%)	-23,2%	-14,9%	-35,8%	-30,7%
Equity/assets ratio (%)	61,2%	78,7%	61,2%	78,7%
Capital turnover rate (multiple)	0,2	0,1	0,9	0,6
Employees (average for the period)	81	110	81	108
Sales per employee (SEK thousands)	317	175	1 432	1 030
Operating profit per employee (SEK thousands)	-226	-285	-506	-700

*AudioDev GmbH was consolidated with the group from the day of acquisition and purchase, 8 February 2007, and as such is included in the figures for 2007 as of this date.

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

Parent company
Income statement (SEK thousands)

	Oct-Dec 2008	Oct-Dec 2007	Full year 2008	Full year 2007
Net sales	19 967	11 937	81 148	80 023
Cost of sold goods	-11 459	-13 829	-47 056	-52 935
Gross profit/loss	8 508	-1 892	34 092	27 089
Sales costs	-6 105	-5 867	-18 271	-22 514
R&D costs	-5 888	-7 162	-21 233	-37 056
Administration costs	-5 044	-9 024	-13 821	-19 703
Other operating income/expenses	4 947	747	7 112	282
Operating profit	-3 582	-23 198	-12 121	-51 902
Profit/loss from participations in group companies	-33 139	-9 161	-46 139	-9 161
Profit/loss from participations in associated companies	-	-	951	915
Net interest	-321	870	-41	2 357
Market valuations, futures	-4 362	-	-4 362	-
Profit/loss after financial items	-41 404	-31 489	-61 712	-57 791
Estimated tax	1 532	6 118	3 140	13 482
Profit/loss for the period	-39 872	-25 371	-58 572	-44 309

Balance sheet (SEK thousands)

	2008-12-31	2007-12-31
Fixed assets	36 887	57 841
Stock	52 583	67 772
Accounts receivable	39 451	12 288
Other receivables	16 802	26 850
Liquid assets	9 169	27 966
Total assets	154 892	192 717
Equity	99 751	158 322
Current liabilities	55 141	34 395
Total equity and liabilities	154 892	192 717