

Interim report for AudioDev AB

January 1– June 30, 2008

(Figures in brackets relate to January – June 2007)

- Net sales totalled SEK 59.7 million (68.3)
- Profit/loss after financial items amounted to SEK -15.3 million (-27.0)
- Net profit/loss for the quarter totalled SEK -12.2 million (-19.3)
- Profit/loss per share, after dilution, was SEK -0.73 (-1.15)
- The order backlog totalled SEK 26.9 million (11.1) at the end of the quarter
- The format war about optical media based on blue laser is over following Warner Bros Entertainment's decision to use the BD blue laser format exclusively, and Toshiba have since announced that they are phasing out the development and production of the HD-DVD competing format.
- AudioDev secured several key orders for blue laser analyzers in the second quarter with a total order value of around SEK 27.5 million. Several of these orders are intended for continuous production.

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 12.30 p.m. on July 15th 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.

This is AudioDev

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

Based on its leading market position in optical media, a cornerstone of the company's strategy is exploiting new segments 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. A step in this direction was taken last year when AudioDev acquired Steag ETA-Optik, a German company specialised in measuring techniques and spectrometry. The company's name has since changed to AudioDev GmbH. The product range includes in-line and off-line analyzers for optical media as well as products for applications outside of optical media. All in all, these new products and core technologies 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, 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.

Market Development

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 these formats have been in a mature phase for some time, AudioDev does not envisage any increased investment need. AudioDev holds a 50 percent share of the global market for electrical testing equipment for red-laser based formats.

The market for blue-laser based formats has been characterised by uncertainty as to which blue laser format, BD or HD-DVD, will be the choice for the

future. Warner Bros Entertainments decision in January that the company's blue-laser based titles will be distributed exclusively in BD was a welcome and important step in determining the outcome of the format war. The decision also led to other market actors expressing their support for BD, which contributed to Toshiba, which was at the cutting edge of the HD DVD technology, announcing that both its development and production of this technology was to be phased out. It can thereby be declared that the format war is over, and one of the largest factors of uncertainty on the market has been removed.

With the BD format as the winner, many of the producers of optical media must now make a decision and evaluate the new position. Actors that have so far exclusively invested in HD-DVD are facing new market conditions which require new investment decisions. At the same time, demand has not really gathered any pace as most consumers have yet to see the overall benefit of the new high-resolution formats. This is partly down to the fact that TV programmes transmitted in High Definition are still rare, and partly because players that can handle the BD format are still relatively expensive and the range of high-resolution media, such as films, is limited. This is particularly evident on the European market. However, the North American market now has a more diverse group that are becoming increasingly aware of the benefits of High Definition quality in TV programmes and films. As a result, sales of players in North America are starting to gain momentum. The current market for manufacturing and test equipment is predominantly focused on pre-recorded material. This is expected as the main driving force behind the BD format is high resolution film and TV. When consumers start to feel the need to play high-resolution material, we forecast the demand for recordable optical media will gain pace, and thereby the demand for test equipment as well. We do not think this will happen before the market for pre-recorded optical media has a much stronger foothold on the market. AudioDev dominates the market for signal testing equipment for blue-laser based formats, and harbours a continued high level of confidence that this format will show lasting growth despite the prevailing uncertainty

The market for thin film measurement, with its widely differing applications, is assessed as extremely important for AudioDev's future growth. Thin films have several applications such as in the packaging industry, manufacturing of solar cells and in the production of flat panel displays. There are also a number of application areas that at present are more or less without any commercially available solutions. AudioDev has the capacity to develop and deliver these, based on the company's current technology. This means that AudioDev's confidence in the potential in these markets has been further boosted over the past period.

AudioDev's Development

The second quarter saw a surge in activity at our customers – as a result of the end of the format war – which has resulted in several orders from significant actors. AudioDev secured several key orders for blue laser analyzers in the second quarter with a total order value of SEK 27.5 million. The majority of the orders are intended for continuous production. Previous orders were primarily intended for development purposes with different actors within optical media (manufacturers of drives, production equipment, optical media, etc). The company has detected an increasing interest in the BD format and is well equipped to respond to an increase in demand. The trend for the second quarter is positive in comparison to the first quarter where the basically positive outcome of the end of the format war saw an initial negative short-term effect. The demand for HD analyzers, from customers that have so far invested in the format, was completely wiped out as the decisions for new investment in the BD format were put off.

Our TFM solutions have been well received by the market, with robust growth over the first six months compared to the previous year. We have won a number of strategically important orders. The customers are leading actors in their relevant fields. In order to ensure continued growth in TFM we have initiated a process aimed at increasing delivery capacity and market scanning.

Trends for the period

New Orders and backlog

New orders for the period totalled SEK 73.5 (68.6) million, of which AudioDev GmbH accounted for SEK 16.5 million. The order backlog was SEK 26.9 (11.1) million at the end of the period. SEK 8.4 million of these are attributable to AudioDev GmbH.

Sales

Net sales totalled SEK 59.7 (68.3) million of which SEK 14.6 million are attributable to AudioDev GmbH.

Around 33% (41) of the sales 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 43% (41) and sales of CD analyzers were 11% (13) of sales. Products not included in optical media, TFM, accounted for 13% (5) of sales.

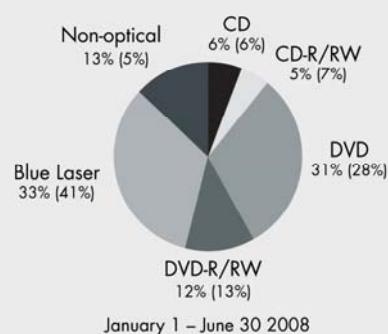
Profit/loss and margins

Gross profit/loss was SEK 25.6 (29.5) million, which equates to a gross margin of 42.8% (43.2). Of the results, SEK 4.7 million are attributable to AudioDev GmbH. Inventory write-downs totalled SEK 2.5 (4.4) million.

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

Profit/loss after financial items was SEK -15.3 (-27.0) million of which SEK -7.7 million are attributable to AudioDev GmbH. Profit shares from the associated company AudioDev Far East are included at SEK 0.8 (0.7) million at this profit level. Profit/loss after tax totalled SEK -12.2 (-19.3) million of which SEK -6.3 million is attributable to AudioDev GmbH.

Net sales per product group
(Figures in brackets relate to the same period in 2007)



Net sales per geographical area
(Figures in brackets relate to the same period in 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.

Financial position

Liquid assets at June 30 amounted to SEK 25.4 (31.0 at the end of December 2007) million. Returns on the above were SEK 0.3 (1.2) million and are included in the net financial income. Group financial costs were SEK 0 (0) million. Equity/assets ratio at June 30 was 76.7% (85.4). Group shareholders' equity was SEK 137.3 million at the end of the quarter (150.0 at the end of December 2007).

Cash flow and investments

The Group showed a negative cash flow from current operations of SEK -4.6 (-37.9) million. Of this, SEK -13.7 million comes from current operations and SEK 9.1 million is due to lower capital accumulation. Investments of SEK -1.0 (-26.4) million (of which SEK 24.4 million constitute the purchase-sum for AudioDev GmbH) and a cash flow from financing operations of SEK 0 (1.3) million gives a cash flow of SEK -5.6 (-63.0) million.

Group gross investments in tangible assets have been made at SEK 1.0 (SEK 2.6) million. Investments are mainly related to computer and measuring equipment.

Personnel

The average number of employees for the quarter was 79 (113). The number of full-time employees at the end of the period was 78 (111). Of these, 31 are employees at AudioDev GmbH placed in Germany.

The parent company

Net sales for the parent company totalled SEK 40.4 (52.4) million. Profit/loss after financial items was SEK -9.0 (-17.6) million. Investments in tangible fixed assets totalled SEK 0.0 (1.7) million. Disposable liquid assets totalled SEK 23.0 (28.0 at the end of December 2007) million.

Second quarter

New orders

New orders for the second quarter totalled SEK 48.8 (33.8) million, of which AudioDev GmbH accounted for SEK 7.4 million.

Sales

Net sales totalled SEK 45.0 (35.1) million, of which SEK 8.4 million is attributable to AudioDev GmbH.

Profit/loss and margins

Gross profit for the second quarter was SEK 22.8 (13.8) million, which equates to a gross margin of 50.5 % (39.2 %). SEK 3.7 million of this is attributable to AudioDev GmbH

Profit/loss after financial items totalled SEK 0.5 (-16.6) million, of which SEK -2.6 million is attributable to AudioDev GmbH. The Profit has thereby improved with more than SEK 17 million compared to the same period 2007. Profit shares from the associated company AudioDev Far East are included in this profit level.

Cash flow

The Group showed a positive cash flow from current operations of SEK 7.0 (-19.2) million. Of this, SEK 1.3 million comes from ordinary operations and SEK 5.7 million from decreased capital accumulation in the form of reduced stocks and increased liabilities. Cash flow for the period was SEK 6.1 (-18.9) million.

Risk description

AudioDev's general views of the risks that may affect the business are the same as we stated in the annual report issued for 2007. For a detailed overview of the company's risks we therefore refer you to the risk analysis that was submitted on Page 18 in the annual report.

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.

Future reports

- October 17
Interim Report January-September
- February 2009
Year End Report

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

Declaration

The board and managing director declare that this half-yearly report provides a true picture of the parent company and the group's activities, position and income as well as describing significant risks and uncertainty factors faced by the parent company and the group.

Malmö, July 15, 2008
AudioDev AB (publ)

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Chairman

Göran Barsby
Board Member

Sigrun Hjelmqvist
Board Member

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Income Statement (TSEK) *

	April - June 2008	April - June 2007	January - June 2008	January - June 2007	Full year 2007	12 month rolling
Net sales	45 033	35 100	59 732	68 275	111 220	102 677
Cost of sold goods	-22 272	-21 330	-34 146	-38 768	-70 995	-66 373
Gross profit/loss	22 761	13 770	25 586	29 507	40 226	36 304
Sales costs	-10 598	-9 383	-17 521	-19 278	-36 701	-34 944
R&D costs	-7 226	-13 379	-14 045	-24 853	-44 105	-33 297
Administration costs	-5 523	-8 103	-10 510	-14 157	-35 270	-31 623
Other operating earnings/ expenses	122	-96	-6	-57	284	335
Results of operating activities	-464	-17 191	-16 496	-28 838	-75 566	-63 225
Profit/loss from shares in associated companies	796	83	823	696	1 240	1 367
Net interest	142	469	324	1 178	1 804	950
Profit/loss after financial items	474	-16 639	-15 349	-26 964	-72 522	-60 908
Tax for the period	11	4 657	3 143	7 669	17 821	13 295
Profit/loss for the period	485	-11 982	-12 206	-19 295	-54 701	-47 613
Profit/loss per share, SEK	0,03	-0,72	-0,73	-1,15	-3,27	-2,85
Profit/loss per share after full dilution, SEK	0,03	-0,70	-0,73	-1,15	-3,27	-2,85
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) *

	2008-06-30	2007-06-30	2007-12-31
Assets	41 076	22 743	39 658
Inventories	78 620	96 977	88 031
Accounts receivable	27 158	27 121	24 410
Other receivables	6 861	16 118	7 465
Liquid assets	25 418	57 350	30 980
Total assets	179 133	220 309	190 544
Shareholders' equity	137 343	188 118	150 004
Current liabilities	41 790	32 190	40 540
Total shareholders' equity and liabilities	179 133	220 309	190 544

* *AudioDev GmbH was consolidated in the Group from the day of acquisition and purchase on February 8, 2007, and is thereby included in the figures for 2007 from this date.*

Cash flow analysis (TSEK) *

	April - June 2008	April - June 2007	January - June 2008	January - June 2007	Full year 2007	12 month rolling
Cash flow from current operations before changes in operating capital	1 285	-17 750	-13 675	-29 368	-68 164	-52 471
Changes in operating capital	5 739	-1 451	9 097	-8 533	10 917	28 547
Cash flow from current operations	7 024	19 201	-4 578	-37 901	-57 247	-23 924
Cash flow from investment operations	-886	-1 006	-983	-26 430	-33 056	-7 610
Cash flow from funding operations	0	1 313	0	1 313	915	-398
Cash flow for the period	6 138	-18 894	-5 561	-63 018	-89 389	-31 932
Liquid assets at the beginning of the period	19 280	76 244	30 979	368	120 368	57 350
Liquid assets at the end of the period	25 418	57 350	25 418	57 350	30 979	25 418

Group equity (TSEK) *

	Share capital	Contributed funds	Other reserves	Accrued funds	Total shareholders' equity
Opening balance at January 1, 2008	8 358	35 310	1 206	105 129	150 003
Exchange rate difference from overseas operations			-391		-391
Price diff. profit/loss for the period			-63		-63
Profit/loss for the period				-12 206	-12 206
Closing balance at June 30, 2008	8 358	35 310	752	92 923	137 343

Key ratios*

	April - June 2008	April - June 2007	January - June 2008	January - June 2007	Full year 2007
Growth in net sales (%)	28,3%	50,3%	-12,5%	23,4%	6,4%
Gross margin (%)	50,5%	39,2%	42,8%	43,2%	36,2%
Operating margin (%)	-1,0%	-49,0%	-27,6%	-42,2%	-67,9%
Margin after financial items (%)**	1,1%	-47,4%	-25,7%	-39,5%	-65,2%
Profit margin (%)	1,1%	-34,1%	-20,4%	-28,3%	-49,2%
Depreciation (SEK millions)	-1,9	-1,2	-3,0	-2,4	-6,5
Shareholders' equity (MSEK)	137,3	188,1	137,3	188,1	150,0
Capital employed (MSEK)	137,3	188,1	137,3	188,1	150,0
Balance sheet total (MSEK)	179,1	220,3	179,1	220,3	190,5
Rate of return on capital employed (%)	0,3%	-8,6%	-2,7%	-3,4%	-40,7%
Rate of return on shareholders' equity (%)	0,4%	-6,2%	-8,5%	-9,8%	-30,7%
Equity/assets ratio (%)	76,7%	85,4%	76,7%	85,4%	78,7%
Capital turnover rate (multiple)	0,3	0,2	0,3	0,2	0,6
No. of employees (average for the period)	79	110	79	113	108
Sales per employee (TSEK)	570	319	756	604	1 030
Operating profit per employee (TSEK)	-6	-156	-209	-255	-700

* *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)

	April – June 2008	April – June 2007	January – June 2008	January – June 2007	Full year 2007	12 month rolling
Net sales	33 529	26 646	40 379	52 441	80 023	67 961
Cost of sold goods	-17 405	-17 405	-24 064	-29 038	-52 935	-47 961
Gross profit/loss	16 124	10 612	16 315	23 403	27 089	20 000
Sales costs	-6 274	-5 533	-8 885	-12 842	-22 514	-18 557
R&D costs	-5 411	-11 546	-10 535	-21 787	-37 056	-25 804
Administration costs	-3 370	-2 585	-6 248	-7 466	-19 703	-18 485
Other operating earnings/ expenses	122	-96	-5	-57	282	334
Results of operating activities	1 191	-9 148	-9 358	-18 749	-51 902	-42 512
Profit/loss from shares in group companies					-9 161	-9 161
Profit/loss from shares in associated companies					915	915
Net interest	133	449	310	1 149	2 357	1 518
Profit/loss after financial items	1 324	-8 699	-9 048	-17 600	-57 791	-49 240
Appropriations						
Estimated tax	-264	4 928	1 810	4 928	13 482	10 364
Profit/loss for the period	1 060	-3 771	-7 238	-12 672	-44 309	-38 876

Balance sheet (TSEK)

	2008-06-30	2007-06-30	2007-12-31
Assets	57 582	42 155	57 841
Inventories	56 278	76 251	67 772
Accounts receivable	33 580	22 758	12 288
Other receivables	14 895	23 176	26 850
Liquid assets	23 028	50 949	27 966
Total assets	185 363	215 289	192 717
Shareholders' equity	151 085	189 960	158 322
Current liabilities	34 278	25 329	34 395
Total shareholders' equity and liabilities	185 363	215 289	192 717