



## Dolby Laboratories Reports FY 2007 First Quarter Results

### First Quarter Net Income is \$29.9 Million on Revenue of \$104.4 Million

SAN FRANCISCO, Feb 01, 2007 (BUSINESS WIRE) -- Dolby Laboratories, Inc. (NYSE:DLB) today announced the Company's financial results for the first quarter of fiscal year 2007.

For the first quarter, Dolby reported total revenue of \$104.4 million, compared to \$91.0 million for the first quarter of fiscal 2006, an increase of 15 percent. First quarter net income was \$29.9 million, or \$0.27 per diluted share, compared to \$17.3 million, or \$0.16 per diluted share, for the first quarter of fiscal 2006.

Net income for the first quarter of fiscal 2007 reflected stock-based compensation expense of \$4.9 million compared to \$5.1 million in the first quarter of fiscal 2006.

"With Dolby's recognized global brand, broad industry presence, and solid business model, we entered fiscal 2007 in a strong position. With the first quarter completed, I am encouraged by our continued progress. We continue to extend our technologies throughout newer markets, to drive the adoption of additional Dolby technologies, and to innovate," said Bill Jasper, President and Chief Executive Officer, Dolby Laboratories.

#### Guidance

For fiscal 2007, Dolby continues to expect revenue to be \$420 million to \$450 million. Net income is now expected to be \$100 million to \$110 million. Consequently, earnings per diluted share are now expected to be \$0.88 to \$0.96. While stock-based compensation expense may vary based on factors such as stock price or volatility, Dolby continues to expect stock-based compensation expense for the full year to be \$20 million to \$22 million.

#### Conference Call Information

Members of Dolby management will lead a conference call open to all interested parties to discuss Dolby's first quarter fiscal 2007 financial results at 2:00 p.m. PT/5:00 p.m. ET, Thursday, February 1, 2007.

Access to the teleconference will be available over the Internet from <http://investor.dolby.com/medialist.cfm> or by dialing 800-289-0529. International callers can access the conference call at 913-981-5523.

A replay of the call will be available beginning at 5:00 p.m. PT on February 1, 2007 until 9 p.m. PT on February 8, 2007, at 888-203-1112 (international callers can access the replay by dialing 719-457-0820) and entering confirmation code 9143132. An archived version of the teleconference will also be available on Dolby's website, [www.dolby.com](http://www.dolby.com).

#### Forward Looking Statements

Certain statements in this press release, including statements relating to Dolby's expectations regarding revenue, net income, earnings per diluted share, and stock-based compensation expense for the fiscal year ending September 28, 2007, and Dolby's expectations concerning extending its technologies into newer markets, driving the adoption of additional Dolby technologies, and continuing to innovate, and the benefits, including long-term growth opportunities, that may be derived therefrom are "forward-looking statements" that are subject to risks and uncertainties. These forward-looking statements are based on management's current expectations, and as a result of certain risks and uncertainties actual results may differ materially from those projected. The following important factors, without limitation, could cause actual results to differ materially from those in the forward-looking statements: risks associated with trends in DVD markets; pricing pressures; the development of the markets for PCs, broadcast, gaming, automotive, and portable audio and video players that incorporate Dolby's technologies; the timing of Dolby's receipt of royalty reports and/or payments from its licensees; Dolby's accuracy of calculation of royalties due to its licensors; Dolby's ability to develop, maintain, and strengthen relationships with industry participants; Dolby's ability to develop and deliver innovative technologies in response to new and growing markets in the entertainment industry; competitive risks; risks associated with conducting business in China and other countries that have historically limited recognition and enforcement of intellectual property and contractual rights; risks associated with the health of the motion picture industry generally; the development and growth of the market for digital cinema and Dolby's ability to successfully penetrate this market; and other risks detailed in Dolby's Securities and Exchange Commission filings and reports, including the risks identified under the section captioned "Risk Factors" in its most recent Annual Report on Form 10-K and any subsequent

Quarterly Reports on Form 10-Q. Dolby disclaims any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

## About Dolby Laboratories

Dolby Laboratories (NYSE:DLB) develops and delivers products and technologies that make the entertainment experience more realistic and immersive. For four decades, Dolby has been at the forefront of defining high-quality audio and surround sound in cinema, broadcast, home audio systems, cars, DVDs, headphones, games, televisions, and personal computers. For more information about Dolby Laboratories or Dolby technologies, please visit [www.dolby.com](http://www.dolby.com).

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### DOLBY LABORATORIES, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Quarter Ended	
	December 30, 2005	December 29, 2006
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	(unaudited)	
	(in thousands, except per share amounts)	
Revenue:		
Licensing	\$68,982	\$82,375
Product sales	16,004	15,210
Services	6,039	6,857
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Total revenue	91,025	104,442
Cost of revenue:		
Cost of licensing	6,601	7,660
Cost of product sales (1)	12,681	8,686
Cost of services (1)	2,889	2,683
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Total cost of revenue	22,171	19,029
Gross margin	68,854	85,413
Operating expenses:		
Selling, general and administrative (1)	36,537	37,311
Research and development (1)	7,942	8,836
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Total operating expenses	44,479	46,147
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Operating income	24,375	39,266
Other income, net	3,699	5,427
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Income before provision for income taxes and controlling interest	28,074	44,693
Provision for income taxes	10,486	14,452
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Income before controlling interest	17,588	30,241
Controlling interest in net income	(319)	(348)
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Net income	\$17,269	\$29,893
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Basic net income per share	\$0.17	\$0.28
Diluted net income per share	\$0.16	\$0.27
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Weighted-average shares outstanding (basic)	104,295	107,947
Weighted-average shares outstanding (diluted)	110,190	112,767

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(1) Stock-based compensation included in net income above was classified as follows:

Cost of product sales	\$202	\$218
Cost of services	130	37
Selling, general and administrative	4,104	3,859
Research and development	673	747

DOLBY LABORATORIES, INC.  
CONSOLIDATED BALANCE SHEETS

September 29,    December 29,  
2006                    2006

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(unaudited)  
(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$412,487	\$409,265
Short-term investments	73,212	119,129
Accounts receivable, net	23,550	16,886
Inventories	11,104	11,585
Income tax receivable	1,371	1,586
Deferred income taxes	44,568	44,980
Prepaid expenses and other current assets	6,340	8,358

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Total current assets	572,632	611,789
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Property, plant and equipment, net	76,995	77,179
Intangible assets, net	14,954	14,426
Goodwill	23,188	24,331
Long-term investments	32,909	50,078
Long-term deferred income taxes	11,100	10,013
Other assets	7,510	7,797

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Total assets	\$739,288	\$795,613
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued liabilities	\$79,336	\$81,130
Income taxes payable	5,719	6,336
Current portion of debt	1,441	1,483
Deferred revenue	6,358	7,559

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Total current liabilities	92,854	96,508
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Long-term debt	10,893	10,697
Other non-current liabilities	21,342	21,661

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Total liabilities	125,089	128,866
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Controlling interest	19,911	20,754
Stockholders' equity:		
Class A common stock	37	39
Class B common stock	70	69
Additional paid-in capital	323,449	341,400
Retained earnings	266,918	296,811
Accumulated other comprehensive income	3,814	7,674
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Total stockholders' equity	594,288	645,993
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Total liabilities and stockholders' equity	\$739,288	\$795,613
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SOURCE: Dolby Laboratories, Inc.

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