



Dolby Laboratories Reports FY 2007 Third-Quarter Results

Third-Quarter Revenue up 28 Percent Year-over-Year

SAN FRANCISCO, Aug 01, 2007 (BUSINESS WIRE) --

Dolby Laboratories, Inc. (NYSE:DLB) today announced the Company's financial results for the third quarter of fiscal year 2007.

For the third quarter, Dolby reported total revenue of \$119.6 million, compared to \$93.7 million for the third quarter of fiscal 2006, an increase of 28 percent. Third-quarter net income was \$29.7 million, or \$0.26 per diluted share, compared to \$19.1 million, or \$0.17 per diluted share, for the third quarter of fiscal 2006.

Net income for the third quarter reflected stock-based compensation expense of \$5.1 million compared to \$4.7 million in the third quarter of fiscal 2006.

"Our third-quarter results demonstrate the strength of Dolby's business model, as we continue to diversify our revenue across newer markets," said Bill Jasper, President and Chief Executive Officer, Dolby Laboratories. "Dolby(R) technology is an essential element in the entertainment experience, and as digital entertainment expands across multiple platforms, Dolby continues to benefit."

Guidance

For fiscal 2007, Dolby now expects revenue to be approximately \$465 million to \$475 million. Net income is now expected to be approximately \$122 million to \$127 million. Consequently, earnings per diluted share are now expected to be approximately \$1.07 to \$1.11. While stock-based compensation expense may vary based on factors such as stock price or volatility, Dolby now expects stock-based compensation expense for the full year to be approximately \$21 million.

The Company's Conference Call Information

Members of Dolby management will lead a conference call open to all interested parties to discuss Dolby's third-quarter fiscal 2007 financial results at 2 p.m. PT/5 p.m. ET, Wednesday, August 1, 2007.

Access to the teleconference will be available over the Internet from <http://investor.dolby.com/medialist.cfm> or by dialing 877-704-5381. International callers can access the conference call at 913-312-1295.

A replay of the call will be available beginning at 5 p.m. PT on August 1, 2007 until 9 p.m. PT on August 8, 2007 at 888-203-1112 (international callers can access the replay by dialing 719-457-0820) using confirmation code 1983417. An archived version of the teleconference will also be available on Dolby Laboratories' website, www.dolby.com.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 the strength of its business model, the diversification of its revenues across new markets, the expansion of digital entertainment across multiple platforms, Dolby's role as an essential element in the entertainment experience, 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 the markets in which Dolby operates, including the DVD, broadcast, personal computer, gaming, or portable device markets, and trends relating to the development of additional and newer markets for Dolby technologies; pricing pressures; 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; Dolby's ability to expand its business generally, and to expand its business beyond sound technologies to other technologies related to digital entertainment delivery, by acquiring businesses or technologies; 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 Quarterly Report 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 more than 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.

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DOLBY LABORATORIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Quarter Ended		Fiscal Year-to-Date Ended	
	June 30, 2006	June 29, 2007	June 30, 2006	June 29, 2007
	(unaudited)			
	(in thousands, except per share amounts)			
Revenue:				
Licensing	\$ 69,138	\$ 94,795	\$ 221,303	\$283,812
Product sales	18,862	17,191	50,574	47,870
Services	5,650	7,627	17,522	21,383
Total revenue	93,650	119,613	289,399	353,065
Cost of revenue:				
Cost of licensing	6,008	8,478	19,786	26,287
Cost of product sales(1)	10,190	8,119	29,754	24,519
Cost of services(1)	2,686	2,963	7,913	8,470
Total cost of revenue	18,884	19,560	57,453	59,276
Gross margin	74,766	100,053	231,946	293,789
Operating expenses:				
Selling, general and administrative(1)	38,477	48,430	113,598	128,266
Research and development(1)	9,108	11,854	25,413	31,650
Gain on settlements	-	(350)	-	(1,850)
Total operating expenses	47,585	59,934	139,011	158,066
Operating income	27,181	40,119	92,935	135,723
Other income, net	4,020	5,759	12,313	17,118
Income before provision				

for income taxes and controlling interest	31,201	45,878	105,248	152,841
Provision for income taxes	11,778	15,839	39,916	53,067
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Income before controlling interest	19,423	30,039	65,332	99,774
Controlling interest in net income	(339)	(354)	(1,000)	(1,101)
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Net income	\$ 19,084	\$ 29,685	\$ 64,332	\$ 98,673
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Basic earnings per share	\$ 0.18	\$ 0.27	\$ 0.61	\$ 0.91
Diluted earnings per share	\$ 0.17	\$ 0.26	\$ 0.58	\$ 0.87
Weighted-average shares outstanding (basic)	106,238	109,692	105,262	108,898
Weighted-average shares outstanding (diluted)	111,983	113,696	111,446	113,389

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

Cost of product sales	\$ 201	\$ 269	\$ 599	\$ 679
Cost of services	129	39	385	107
Selling, general and administrative	3,731	3,838	11,941	11,459
Research and development	679	993	2,015	2,512

DOLBY LABORATORIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

September 29, June 29,
2006 2007

(unaudited)
(in thousands)

ASSETS

Current assets:				
Cash and cash equivalents	\$	363,537	\$325,909	
Short-term investments		122,162	210,548	
Accounts receivable, net		23,550	25,021	
Inventories		11,104	14,091	
Income tax receivable		1,371	20,875	
Deferred income taxes		44,568	57,831	
Prepaid expenses and other current assets		6,340	13,819	
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Total current assets		572,632	668,094	
Property, plant and equipment, net		76,995	81,457	
Intangible assets, net		14,954	33,028	
Goodwill		23,188	41,908	
Long-term investments		32,909	80,047	

Long-term deferred income taxes	11,100	11,015
Other assets	7,510	8,151
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Total assets	\$ 739,288	\$923,700
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued liabilities	\$ 79,336	\$103,223
Income taxes payable	5,719	6,233
Current portion of debt	1,441	1,528
Deferred revenue	6,358	11,927
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Total current liabilities	92,854	122,911
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Long-term debt	10,893	10,037
Long-term deferred tax liability	-	6,312
Long-term deferred revenue	4,563	5,072
Other non-current liabilities	16,779	14,274
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Total liabilities	125,089	158,606
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Controlling interest	19,911	21,825
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Stockholders' equity:

Class A common stock	37	49
Class B common stock	70	61
Additional paid-in capital	323,449	365,907
Retained earnings	266,918	365,591
Accumulated other comprehensive income	3,814	11,661
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Total stockholders' equity	594,288	743,269
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Total liabilities and stockholders' equity	\$ 739,288	\$923,700
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SOURCE: Dolby Laboratories, Inc.

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