

Axis AB | Annual Report 2002

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Financial information for 2003

Axis AB will publish the following reports:

Three-month report	April 22, 2003
Six-month report	July 17, 2003
Nine-month report	October 21, 2003
Year-end report for 2003	February 2004
Annual Report 2003	March 2004

Axis' financial information is available in English and Swedish on the company's Web site:
www.axis.com/corporate/investor

Reports may be ordered from:

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The Annual General Meeting will be held on April 29, 2003. See the notification on page 47.

The year in brief 2002



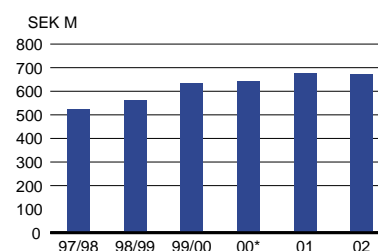
- Sharply improved operating profit
- Positive cash flow from current operations
- Continued reduction in operating costs
- Video now the largest product area

Key ratios

SEK M	2002	2001
Group – excl. Netch¹		
Net sales	670.3	675.9
Operating profit/loss	39.7	-83.3
Profit/loss after financial items	51.4	-117.8
Group – total		
Net sales	670.3	696.3
Operating profit/loss	39.7	-113.8
Profit/loss after financial items	51.4	-149.5
Liquid funds at end of period	130.0	180.8

¹ During the second quarter of 2001, Axis implemented a restructuring that included the sale of a 59 percent holding in Netch Technologies.

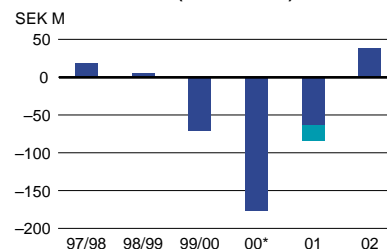
NET SALES (EXCL. NETCH)



Consolidated sales for comparable units were virtually unchanged during 2002.

*Pro forma, 12 months

OPERATING PROFIT/LOSS/EBIT (EXCL. NETCH)



■ Structural costs

The operating profit for 2002 improved to SEK 40 M, corresponding to an operating margin of 5.9 percent.

*Pro forma, 12 months

This is Axis

Axis increases the value of network solutions. The company is an innovative market leader in network video and print servers. Axis' products and solutions are focused on applications such as security surveillance, remote monitoring and document management. The products are based on in-house developed chip technology, which is also sold to third

Products & System Solutions

Products & System Solutions includes that part of Axis' sales that are conducted under the company's own brand and consists of four main product areas:

Video | Network cameras and video servers, primarily systems for security solutions and remote monitoring applications

Print | Print server solutions for flexible print management

Scan & Store | Solutions for intelligent and efficient document management and data storage

Access | Access points for wireless connection to local networks

Customer segments

The customer segments that are the primary target groups for Axis-branded products are:

Transportation | e.g. Airports, railways, harbors, systems for traffic monitoring, toll systems and public transport

Banking & Finance | e.g. Banks, post offices and insurance companies

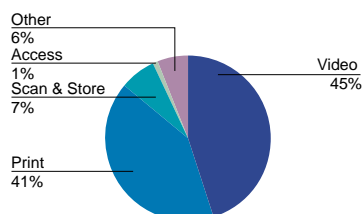
Government | e.g. State, regional and local authorities, police, military, health care, prisons and museums

Retail | e.g. Shops, gas stations, department stores, superstores and restaurants

Industrial | e.g. Process industry, automation, construction companies, pharmaceutical industry, energy companies, mining industry and manufacturing companies

Education | e.g. Universities, schools and private educational institutions

SALES BY PRODUCT AREA 2002



Profitability

Despite a weak market, Axis achieved its goal of reporting a profit for the full-year 2002. During the coming year, the company will further strengthen its position and is well prepared for maintaining a favorable earnings trend while achieving greater growth.

Growth

Video accounts for 45 percent of Axis' sales. This product area, which is expected to show continued strong growth over the coming years, increased by 26 percent in 2002. Axis is a market leader in this area. Going into 2003, Axis has clearly defined growth targets.

parties. Axis was founded in 1984 and is listed on the Stockholmsbörsen (XSSE:AXIS). Axis operates globally with offices in 14 countries and in cooperation with distributors, system integrators and OEM partners in 70 countries. Markets outside Sweden account for more than 95 percent of sales.

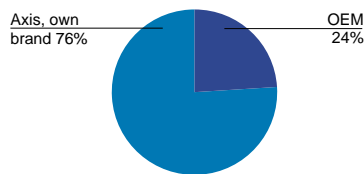
Platforms & Customized Products

Platforms & Customized Products comprises Axis' total sales in the technology area. This includes custom-tailored products that are sold through OEM licenses and hardware and development platforms that are sold directly to third-party developers. OEM customers are primarily large global manufacturers of printers and copiers, as well as companies that develop and market video or security equipment.

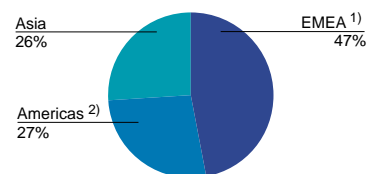
Global markets

Axis is represented globally with offices in 14 countries and through partnerships with distributors and OEM customers in some 70 countries around the world. More than 95 percent of production is exported to these countries. Nearly half of sales are to countries in the EMEA region. The Americas account for 27 percent of sales; and Asia, for 26 percent.

OEM – PERCENTAGE OF SALES 2002



INVOICING BY REGION 2002



¹⁾ Europe, Middle East, Africa
²⁾ North, South and Central America



Innovative ability

Since the start in 1984, Axis has strived to be early to market with new technology and new products that meet real business requirements. With its own proprietary technology platform and a broad product portfolio, and through its continuing ability to innovate, Axis will strengthen its position as the market leader in intelligent network solutions.

Market leader

Axis is the market leader in most of the company's product areas and is a well-established brand. The right products, extensive experience and a reputation for technology leadership are some of the company's key success factors. Axis also has a strong position as an OEM supplier of network technology to leading global manufacturers of printers, among others.

Sharply improved profitability in weak market

Axis' goal in 2002 was to achieve an operating profit for the full year. This goal was achieved despite the fact that all geographic markets experienced weak economic growth. Continued weakness in the market, however, did not allow any increase in sales.

Sales trend

Our initial assessment was that the market during the first half of the year would be characterized by uncertainty and weak global economic trends. However, the recession was deeper and more protracted than could be anticipated. This was reflected in Axis' total sales, which didn't increase during the year. The strengthening of the SEK against such currencies as USD and EUR also added a negative currency effect. Group sales for 2002 amounted to SEK 670 M (676)*.

Profitability and improved margins

Operating profit for the full year increased by SEK 123 M and amounted to SEK 40 M, corresponding to an operating margin of 5.9 percent. Profit after financial items increased by SEK 169 M to SEK 51 M, resulting in a profit margin of 7.7 percent. The improvement in profitability was primarily attributable to an increase in the gross margin, which improved by 3.8 percentage points to 57.3 percent.

Growth in Video product area

Two main trends affected Axis' operations during the year. One was the increased need for security and surveillance, while the other was the general restraint that prevailed with respect to IT investments. This has meant a continued positive

sales development for Axis' network video products, which despite the weak investment climate increased by 26 percent. At the same time, demand in other major product areas declined. Sales of print servers, for example, fell by 10 percent, compared with the preceding year.

In addition to increased demand for advanced security and surveillance solutions, the market for network video solutions continues to be driven by the shift from analog to digital applications, which is still in an early phase. Several industry analysts predict continued strong growth over the coming years. For example, J.P. Freeman estimates that total industry sales for various types of digital surveillance solutions will amount to USD 3.2 billion in 2003.

During 2002, the trend was clearly towards increasingly professional applications and larger investments. At the same time, we have noted clear signs of convergence between the security and IT industries, a market trend that is very positive for Axis' products and solutions. One sign is that new players are emerging among both resellers and systems integrators. Another is that IT managers' influence over purchasing decisions relating to security and surveillance is increasing as larger companies and organizations begin to see the advantages of connecting surveillance systems to the network.

* All comparison figures are pro forma and exclude Netch Technologies, which was divested during 2001.

Stable geographic trend

In view of the weak market conditions, work to strengthen the Company's market position was intensified during the year. The global sales organization devoted considerable effort to training both resellers, systems integrators and end customers in networked video solutions. Axis also forged partnerships with a large number of new business partners who are focused on total solutions. Both EMEA and Asia therefore reported increased sales compared with the preceding year. Axis' operations in the U.S., on the other hand, were to a greater extent affected by weaker demand in the IT sector and reported reduced sales during the latter part of the year.

Axis 2003

During 2003, Axis' strategic technical, product and market development work will prioritize the Video product area, which is considered to have significant long-term growth potential. The goal is to continue expanding in this area, thus strengthening Axis' position as the market leader, while maintaining satisfactory profitability. Marketing efforts will also become more industry-specific, with a focus on customer segments that are considered to be early adopters in the shift from analog to digital technology. In parallel, relations with OEM customers will be further enhanced. To maintain Axis' position of technical leadership and to meet varying customer requirements, a new generation of video products will also be introduced in the second half of the year.

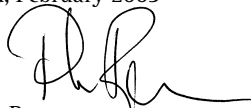
The overall sales trend remains difficult to predict. At the end of last year, there were several signs of increased activity but also indications, particularly in the U.S. market, that 2003 may also be a year that is characterized by general restraint with respect to IT investments.

After eight years at Axis, of which five as CFO and COO and three as CEO, the time has come for me to leave the company in the spring of 2003. The reason is that I have accepted a similar position in another company. My years with Axis have been an eventful and very stimulating time during which I have had the opportunity to work with a large number of skilled colleagues in implementing changes and improvements. My successor will be Ray Mauritsson, who has had a number of senior positions within Axis since 1995. Ray has both the international experience and the market-oriented approach that are required to continue driving Axis forward.

The company is now well prepared to continue growing profitably. With a strong financial base, it has the prerequisites to move closer to its growth targets. Axis has strong market positions, a favorable mix of established and fast-growing products and a stable network of distributors, partners and resellers.

I would like to close by thanking all employees for their excellent work during 2002. We achieved our goal of profitability despite a weak market.

Lund, February 2003



Peter Ragnarsson
*President and CEO
(until February 23, 2003)*



A driving force for increasing communication over networks

The overall vision for Axis' business operations is based on the conviction that communication over intelligent networks will become an increasingly important part of daily life in the future. Axis' ambition is to be a driving force in this development.

Business concept and operations

Axis' business concept is to fulfill the need for products and solutions for efficient, user-friendly and secure network connectivity. Solutions should deliver maximum value for the customer through reduced administration, lower operating costs and broader application areas for various types of network equipment. Axis, which was founded in 1984, is an innovative market leader in network video solutions, as well as print servers and document management. The core of the company's product offering is its in-house developed IP-based technology platform, which allows Axis to quickly and cost-effectively adapt its market offering to new applications and product areas. Operations include technical development, as well as marketing and sales. Through a global presence and well developed partnerships with distributors, resellers, third-party developers and OEM customers, Axis is active in some 70 countries and can quickly establish leading positions in strategically important market segments.

Goals and strategies

Axis will strengthen and enhance its position as a market-leading supplier of equipment and solutions for IP-based network connectivity. The company has attained leading positions in all product areas, and Axis is today a well-established brand. In addition to these overall goals, there are a number of financial targets that have been retained since the company was listed on the Stockholmsbörsen in the year 2000.

Equity ratio: The company's equity/assets ratio should not be less than 50 percent. This target has been achieved in every period since the exchange listing. No special measures are deemed necessary to maintain this level in the future.

Profitability: Prior to the exchange listing, a profitability target was established according to which Axis should achieve a profit margin of 10 to 15 percent no later than 2003. The improvement in profitability during 2002 and the profit margin of 7.7 percent that was achieved are in line with this goal.

Growth: The most ambitious goal for Axis since the listing is related to the company's growth. The growth target was an average annual growth of 30 percent through the year 2005, which is the basis for Axis' growth strategy.



The growth strategy can be summarized in the following main points:

Continued development of the Video product area

Network video solutions currently account for the largest portion of Axis' sales. This product area has significant future potential. In addition to general market growth and an increasingly stronger partner network, Axis intends to focus on a number of selected customer segments. The forthcoming launch of fourth-generation video products will also result in substantial future growth opportunities for Axis. Through efficient product development and more applications, Axis can quickly offer solutions that are specifically developed for special market requirements.

Increased OEM sales of Axis video products

With the general growth in the Video product area, there will be increased demand for OEM solutions for networked video products. By continuing to strengthen relations with OEM customers, Axis can ensure a development that equals the success achieved in indirect sales of printer products.

Growth through acquisition

There are also opportunities for Axis to strengthen its offering – in terms of products and marketing, as well as geographically – through acquisition. Appropriate acquisition candidates may be niche product companies that can contribute to a wider range of applications and customer acquisitions, particularly for video systems.

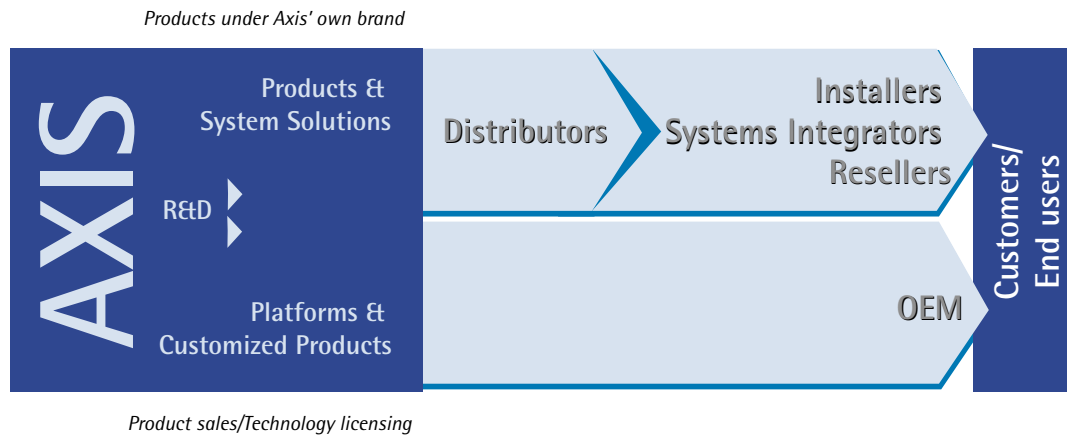
Stability in the Print product area

Due to the generally weak market conditions, this product area had a negative impact on total growth over the past year. Through the strengthening of existing partnerships, continued marketing and product differentiation, the goal is that the Print product area would have stable development.

Development of technologies that could enable rapid sales growth

Since the start, Axis has not only focused on established product areas, but also invested in technology that can result in potentially substantial business opportunities in the future. Today Axis is a leading player in access points for Bluetooth. Given a favorable market trend and increased collaboration with OEM partners, these technology solutions may provide a greater contribution to Axis' continued growth.

The Axis business model



Common technology platform creates synergies

At the core of Axis' business is a common technology platform that is used in all products and systems. To achieve greater synergies between the various product families with respect to both technical and product development and in the global marketing organization, the internal structure was further simplified during the year. As a consequence, all research and development, marketing and customer service are common to the entire Group. In this manner, development costs can be distributed across greater volumes and attractive economies of scale can be achieved with contract manufacturers. Sales efforts are conducted according to a two-pronged business model.

Products & System Solutions markets products under Axis' own brand. Platforms & Customized Products includes all of Axis' sales in the area of technology, which are divided into two main categories. These are customized products that can be sold through OEM licenses, and hardware and developer platforms that are sold directly to third-party developers.

To further increase the efficiency of marketing efforts, Axis intends to focus on a number of selected customer segments during 2003. These will be reached through a global network of partners, distributors and resellers, who are Axis' interface with end customers. In keeping with continued development of the market for network products, particularly in the Video product area, Axis will expand existing partnerships, while developing new relationships, primarily with systems integrators. In this way, the company will be better able to meet the demand for increasingly sophisticated solutions.

These are the customer segments that are Axis' primary target groups for Axis-branded products.

Transportation | Public transport, airports, railways, systems for traffic monitoring, toll systems, etc.

Examples of partners: Honeywell, Sirrus, Siemens, MetroCommute, Indra

Examples of customers: Sydney Airport (Australia), Circumvesuviana (Italy), Minnesota Dept. of Traffic (USA)

Banking & Finance | Banks, post offices, insurance companies, etc.

Examples of partners: SECOM, Loronix, Securitas, SPIE

Examples of customers: Banco Sabadell (Spain), Caisse d'Epargne (France)

Retail | Shops, gas stations, department stores, superstores, restaurants, hotels, etc.

Examples of partners: Excelsa, Securitas, NICE, ADT, SmartConnect

Examples of customers: Stadium (Sweden), Santa Row (USA), Springfield Food Courts (USA)

Government | State, regional and local authorities, police, military, health care, prisons, museums, etc.

Examples of partners: Honeywell, TRW, Loronix, Lenel

Examples of customers: U.S. Federal Penitentiary (USA), City of Hull (Great Britain), New Zealand Prison

Industrial | Manufacturing companies, mining and construction companies, pharmaceutical industry, energy companies, etc.

Examples of partners: ABB, Siemens, Legrand, Cegelec, Johnson Controls

Examples of customers: China XiNan Power Elc, Pines Manufacturing (USA), Volkswagen (Germany)

Education | Universities, schools, private educational institutes, etc.

Examples of partners: Sokatel (France), DTS (USA), Honeywell, Lenel

Examples of customers: Canton School Direct (USA), Newport Schools (Great Britain)

Products & System Solutions

Products & System Solutions includes that part of Axis' sales that are conducted under its own brand, which currently accounts for 76 percent of total sales. In the four product areas, there are both established solutions and growth products.

Video | Network cameras and video servers, primarily systems for security solutions and remote monitoring

Print | Print server solutions for flexible print management

Scan & Store | Solutions for intelligent and efficient document management and data storage

Access | Access points for wireless connection to local networks

Video

The market for IP-based video solutions continue to develop rapidly. The Video product area, which has an installed base of just over 200,000 units, accounts for 45 percent of Axis' total sales.

Axis network cameras and video server solutions extend over a wide range of application areas. The most prominent today are applications for security, remote monitoring and broadcasting.

IP-based video solutions offer customers new technical possibilities and more flexible solutions. They can thus better utilize their security and surveillance equipment by optimizing an existing network infrastructure and reducing costs. Unlike cameras in, for example, an analog CCTV system, network cameras do not require any special cables or need a separate infrastructure or monitoring stations. The network cameras are connected directly to the existing network and provide fast and easy access to live video, regardless of where in the world



Successful change of technology in France

When the French banking group Caisse d'Epargne realized that its analog CCTV system was too costly, unreliable and had limited technical capacity, a decision was taken to invest in a new system. The choice was the AXIS 2100 Network Camera, which met the bank's high demands for cost efficiency, security, reliability and quality. In the first phase, Axis cameras were installed in 70 of the group's bank offices.

According to the bank's calculations, the cost for the new digital system was between 3.5 and 4.9 times less than an analog system. At the same time, administration was simplified, and the security level was increased for the bank and its employees. In addition, the bank used its existing network, which resulted in a faster installation time and lower initial costs.

"We are extremely satisfied with the results thus far," says Guy Kleiber, CIO at Caisse d'Epargne. "This is really only the first step in our transition from analog CCTV systems to digital IP-based surveillance technology."



Surveillance system reduces costs in federal prison

Network cameras and video servers were supplied to a federal prison in California. The installation saved the prison more than one million dollars. An Axis surveillance system was installed to monitor interns and to provide courts with evidence for crimes committed in the prison. Surveillance and security have improved in the entire prison complex.

the user is located. Video servers digitize images from analog video cameras and make it possible to transmit images and sound over an IP network.

The successes that Axis has achieved in this product area are due to a number of different factors. The product concept of networked products is well timed with the transition now taking place from analog to digital solutions. Axis has more than seven years of experience in this area and has long been a market leader with its own technology that is recognized for its excellence. The company also has a broad international presence and a strong position among distributors, installers and systems integrators.

Axis actively supports the development of application software for network cameras and video servers through the Axis ADP (Application Developer Partner) program. This is a collaborative initiative with developers, linking application developers closer to Axis, while ensuring that there is a wide range of applications that support the company's products. The Axis ADP program currently includes more than 100 companies, including such key players as Honeywell, Lenel, Loronix and Milestone.

The year in brief

During 2002, Axis signed several strategically important contracts that clearly indicate recognition of both Axis technology and the increasing importance of IP-based video systems in the market for security and surveillance solutions. Significant orders were received in virtually all customer segments.

Axis also enhanced and expanded its offering with a number of new products. The AXIS 2420 IR, which was launched during the spring, is the world's first camera designed to work with infrared light, which allows surveillance applications to provide high image quality even in darkness. The AXIS 2130 PTZ is a new, cost-effective network camera that emphasizes

flexibility and user-friendliness. A new product was also added to video servers. The AXIS 250S Video Server is based on MPEG-2 compression technology, which allows image transmissions with DVD quality and stereo sound. The product family was also supplemented by the AXIS 2460 Network DVR (Digital Video Recorder), which connects to the network and significantly improves the performance of a video surveillance system by allowing longer storage times, higher stability, increased security and improved access.

Market trends

The market developed in line with the assessments that Axis made during the preceding year. Customers are moving from experimental installations to professional applications in real operating environments. Demand for larger, more advanced and customized solutions is thus increasing. At the same time, more companies have recognized the potential in a rapidly growing market, and a number of large companies, such as Panasonic, Sony, Samsung and Sanyo, are starting to establish themselves in this product area. Together with existing competitors, such as JVC, Philips and VCS, these companies are helping to create a strong driving force for increased digitalization while naturally making the competitive situation more difficult. Despite the increased competition, Axis has maintained its market share and is today a well established brand.

Axis believes that continued development of the market will be characterized by similar prerequisites over the next few years. The transition from analog to digital technology will proceed at a faster pace, while growth is driven by demand for more advanced, cost-effective and flexible systems with better performance. With its global presence, strategic partners and a broad product portfolio, Axis is well positioned to be able to take advantage of this substantial market potential over the coming years.



Smart cameras, with various forms of intelligence included, are the fourth most popular product on the "buy" list of users this year. When agglomerated into one product category we estimate that the category can reach \$500 Million in the U.S. alone in 2005. The \$500 Million is at factory prices. At user prices, therefore, the market size would be about \$1.06 Billion in the U.S.



(JP Freeman)

Trends and development in the international surveillance and security markets, according to the independent industry analyst J.P. Freeman*

(2003 Worldwide CCTV & Digital Video Surveillance report)

1. Five-Year Growth

The digital video surveillance market is on a strong growth trend despite the "soft" economies of the industrialized world. The growth rate was fairly strong in 2000 and the first half of 2001, but the World Trade Center attack of 9/11/01 accelerated that trend and, as shown below, it is expected to produce a strong, continuing expansion in industry revenues over the five year period 2002-2007.

Estimated global growth for all types of surveillance systems.

	2002	2003	2004	2005	2006	2007
World Market @ Factory Prices in \$US Billion	2.7	3.2	3.7	4.3	4.9	5.6
Annual Growth Rate	+13%	+19%	+17%	+16%	+14%	+13%

2. Market Trends

In the last two years the trend toward network cameras has been quite strong and is expected to continue as video surveillance systems use more computer technology to bring live and recorded video to numerous points of use and to raise the productivity of security operations.

Networked Video systems, Video Servers, Object Tracking Software, and addressable Smart Cameras are on growth trends even beyond the pace of the total market and will become increasingly important to security executives over the next 5 years.

The importance of the IT executive in video surveillance purchasing decisions is becoming more important due to the desire of large organizations to network their surveillance systems.

3. Shift to Digital Technology

The shift to digital technology in the video surveillance industry is evident in the sharp growth trend of the digital video recorder product category. From a ratio of 1 digital to 2 analogs in the sales rate of 2000, the sales ratio has completely reversed in only two years and in 2002 it was 3 digitals to each analog recorder.

Further, integrators say in J.P. Freeman's 2003 worldwide report on the video surveillance industry that DVR's will be the largest single product category they sell by 2007, equaling the sales rate of color cameras and virtually completing the digital revolution in video surveillance.

4. Shift from Analog to Network Cameras

The trend toward video networking has created a strong growth impetus in cameras that are network-compatible. The trend is so strong over the next five years that integrators see Remote & Networked camera systems becoming their 3d largest security business out of 12 in which they are now engaged.

5. Growth of Remote Monitoring

With the rising use of networked video surveillance systems and PC-operated systems the video surveillance industry will see a dramatic rise in the level of remote "local" monitoring such as the use of laptops to view environments at remote locations. While the trend is strongest in the large user commercial sector at present, it is expected to invade the residential sector as well as system prices decline and become more user-friendly. It may also impact the large alarm monitoring industry that has grown to prominence since the early '80's, and that industry is expected to introduce its own version of central station video monitoring over long distance lines.

* Joe Freeman is the founder of the independent analysis and consulting company J P Freeman and was previously a division manager at General Electric and chief operating officer at Well Fargo Protection Systems. Joe Freeman has received a number of awards and was recognized last year as the "Chairman of the year" by the American Security Industry Association.

Products & System Solutions

Print

Axis is one of the world's leading manufacturers of print server solutions that permit cost-efficient and user-friendly print functions, regardless of network environment and printer.

With the market's broadest range of external print server systems, Axis can satisfy the requirements of both large companies and smaller customers.

Print servers are independent of printer type and manufacturer, which means that users of various types of computers, such as PC, Macintosh, Unix and IBM mainframes can share the same printer. Integrated administration tools allow IT departments to monitor and administer the entire printing environment simply from a central location.

The year in brief

The year 2002 was largely characterized by a weak IT market, and sales in this product area declined during the year. Despite difficult market conditions, Axis strengthened its positions through a broader product offering and a number of important contracts. After Intel withdrew from the market at the end of 2001, Axis, with an installed base of more than two million units, solidified its number two position in the global market. Axis has been the established brand in print servers for several years.

Two new products for wireless printing were launched to satisfy the growing interest in the market. The AXIS 5800+ and the AXIS 5810, which both use Bluetooth, open a number of new possibilities for mobile users who are located both within and outside their normal network or who are traveling. To support wireless printing over IEEE 802.11b, the AXIS 5900 was launched. During the autumn, an important partnership agreement was signed with Toshiba Benelux where the AXIS 5810 Print Plug was chosen as the solution for wireless printing based on the Bluetooth protocol. The Print Plug is sold together with Toshiba's PCMCIA and SD Bluetooth cards for portable and handheld computers.

Market trends

Although the market trend in this product area is highly influenced by general trends in IT investments, there are two primary driving forces that can contribute to a stable trend, even if the IT market remains weak.

The greatest change over time is considered to be the transition to USB (Universal Serial Bus). The USB connection standard is expected to replace the parallel Centronics interface currently used on most printers. This is a significant shift in technology for external print servers and creates a replacement market in which exacting demands will be placed on manufacturers' ability to be able to radically change their product offering. It is probable that not all current manufacturers will participate in the USB market, which creates excellent opportunities to take new market shares.

Another driving force is the trend toward wireless networks, both as a complement to conventional networks and as a replacement in office and industrial environments. Printers no longer need to be placed close to a network connection, but can be freely located where they are needed, which results in administrative and cost-saving benefits for customers.

Through its technical leadership and a well deployed distribution network, Axis has an excellent potential to take market shares in this product area in new geographic markets.



Smoother document management for Caja de Ahorros El Monte

When one of Spain's oldest banks, El Monte, decided to modernize its IT environment, more efficient document management was one of the most important requirements. Previously the bank's employees had worked in a network environment in which printers were directly connected to each PC. Such an environment naturally created a number of bottlenecks that in some cases had a negative impact on customer service. By installing print servers from Axis in the bank's offices, a flexible and more customer-friendly IT environment was created.

Scan & Store

In the Scan & Store product area, Axis develops solutions for intelligent document management, document distribution and data storage.

With these solutions, users can easily, cost-efficiently and securely distribute and store documents, as well as share CD and DVD discs, via the network. These solutions also deliver substantial benefits in the form of reduced costs, less administration and lower support requirements.

The year in brief

Axis strengthened its product offerings as planned during the year. The sales trend, however, was affected by the weak investment climate surrounding IT investments in office environments.

Two new document servers, the AXIS 70 and the 70U, are next-generation products for efficient document distribution in paper-intensive companies. The AXIS 70U also represents a broadening of the total market potential. Because it is the first time that the connection uses the USB port, the AXIS 70U will be available for a significantly larger market,



since it is now compatible with many more and less expensive scanners.

The new AXIS StorPoint CD+ is one of a whole new family of CD/DVD servers that meet the demand for products that use the IDE interface rather than SCSI for connecting disks and CD/DVD players.

Market trends

The market for document servers is driven by the growing need to make paper documents available in electronic form and an increased need to share scanners in networks. The new products launched in late autumn of 2002 should also contribute to a positive sales trend during the coming year. Demand for CD/DVD servers is driven by the trend to replace larger systems with smaller and more scalable products. An additional factor affecting sales is the increasing need in many companies to give many employees fast access to information in a cost-efficient and secure manner.

Access

Axis' access points allow users to connect wirelessly to the local network.

Hot spot zones in airports or other public places are one example of an application area where users are able to connect wirelessly to the Internet to send e-mail, for example. In office environments, an access point can also provide an easy way for mobile users to automatically update information on portable computers, mobile phones or handhelds.

The year in brief

During 2002, the market for Bluetooth access points continued to develop relatively slowly. However, there are currently a number of application areas where the demand for Bluetooth access points has increased. These include solutions for the intelligent home and hot spots. During the year, Axis signed two

major contracts for the delivery of Bluetooth access points, including an agreement with Consafe, which has been successful in a project for wireless access points in South America.

Market trends

Although interest in Bluetooth is increasing, there are still a number of factors that restrain market growth in this area. Two restrictive factors are the development in the telecom sector and the generally weak investment climate in the IT sector.

During the autumn, however, the number of products supporting Bluetooth increased, which is expected to contribute to a higher demand for Bluetooth access points over the coming year.

Axis' broad expertise in network connection and its well-established position create the prerequisites for a positive trend in this product area when investments in these products gain momentum.

Platforms & Customized Products

In addition to the products sold under the Axis brand, Axis' network technology is also used in many contexts by other companies. Platforms & Customized Products comprises Axis' total sales in the technology area, which are divided into two main categories. These are customized products, which are sold through OEM licenses, and hardware and developer platforms, which are sold directly to third-party developers who create their own applications based on Axis' technology.

The major share of Axis' technology sales currently consists of OEM licensing to large global manufacturers of printers and copiers, and to companies that develop and sell video and security equipment. OEM customers include such companies as Canon, Sony, Minolta, Toshiba, Fuji Xerox and Panasonic. Axis currently supplies customized network solutions in all product areas. The largest share of OEM sales consists of solutions for video and print applications.

Apart from these successful OEM sales, interest is increasing for Axis' developer platforms. Central to the platform offering is the proprietary ETRAX chip, which together with Linux software, allows network-based applications to be developed easily and cost-efficiently. Because the core of this offering provides flexible technology for network connectivity, the Axis developer platforms appeal to a broad market. In principle, Axis' technology customers can be active in almost any industry.

The year in brief

During 2002, Axis further strengthened its position as an internationally leading OEM supplier of customized network products. Several existing partnerships were expanded and new ones developed. Axis' technology is currently the foundation for a large number of products that meet increasing demand for network-based products in many market segments.

Apart from customized products for print and video, Axis also signed a major OEM contract with Toshiba for the deliv-

ery of Bluetooth access points. The solution is designed for intelligent homes where appliances and other household devices are connected using Bluetooth.

Yet another breakthrough for Axis technology sales was achieved during the year. Three volumes orders were received during the autumn for the AXIS Device Server Platform, which demonstrate the strength of the offering to third-party developers.

Market trends

Through long-standing and well-functioning relationships with global equipment manufacturers, Axis has established a strong position in the international market for network-based products. The company's proprietary technology is recognized as leading in several application areas. The fact that Axis works with open source code and actively supports third-party developers creates a growing customer base for the company's technology solutions. For the past several years, Axis has had a stable revenue base in OEM solutions. It will contribute to Axis' total sales even in the future.

Direct sales of technology and developer platforms is a diversified and extremely competitive market. Direct competitors include such companies as NetSilicon in the U.S. and Japan's JCI.

Traditionally, the greatest single threat to all OEM sales is usually that the customers themselves develop their own solutions instead of turning to external suppliers. The trend in

Deeper partnership with Canon

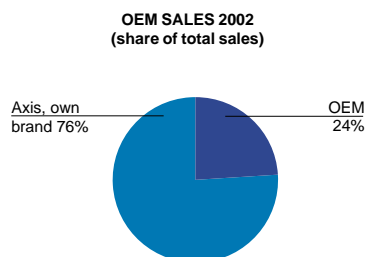
For several years, Axis has been supplying access points and print server products to Canon. During the year, this partnership was expanded to include video products. The customized video server cards supplied to Canon are used in the VB-C10 and VB-C10R network video cameras. With the help of Axis technology, users are able to access the camera and view images via a standard Web browser.

"We know Axis well, and they have been supplying us with reliable and high-quality print servers for many years," says Mitsushiro Tokuhara, group executive for the Lens Products Group at Toshiba. "Axis is an excellent partner because we can be sure that they will be able to develop new hardware and software solutions for connecting equipment to networks."

Axis' product areas, however, is that equipment manufacturers are instead focusing increasingly on their own core businesses.

The strong trend toward digitization of the security and video markets create substantial market potential for Axis. The company's leading position with respect to both technology platforms and product experience in this area creates excellent prerequisites for growth even in OEM sales. During the coming year, there will therefore be a clear focus on increasing OEM sales to customers that wish to offer network-based products in the video area.

With respect to platforms, there are many areas in which IP- and Ethernet-based communication is becoming increasingly common. This trend is particularly evident in the rapidly growing market for systems for the industrial segment. Axis is currently engaged in negotiations with several of the companies that sell solutions for the intelligent home, a market that is developing rapidly, particularly in Asia.



New partnership with Toshiba Home Appliance Company

In the Japanese market, interest in Bluetooth is increasing, and during the year, wireless applications were introduced in several new areas, including intelligent homes.

When Toshiba in 2002 launched its solution for automating the home, Axis was a natural partner for the Japanese hardware giant. An important part of the solution is Axis' specially designed Bluetooth access points, which act as a hub in the system, connecting household devices and appliances together in a wireless network. Via the central server, the house can then be controlled and managed via the Internet, at the same time as service and control functions can be administered as an integrated part of Toshiba's concept.

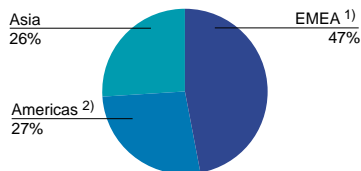
The global Axis

Axis, with its head office in Lund, Sweden, is represented globally through its own offices in 14 countries and through partnerships with distributors, resellers, systems integrators and OEM customers around the world. More than 95 percent of production is exported to some 70 countries, which provides a good spreading of risks. Marketing and customer ser-

vice are handled by local subsidiaries. The EMEA region accounts for nearly half of sales, followed by the Americas with 27 percent, and Asia with 26 percent.

Ever since the company was founded, Axis has made a conscious effort to expand its operations internationally and to continuously develop its network of strategic business partners. Today the company has a stable platform of distributors that are very suitable for the entire product range. Long international experience that includes excellent knowledge of local conditions, in combination with this international network, are some of Axis' important success factors. In keeping with continued market growth, particularly in the Video product area, the global sales organization during 2002 initiated several partnerships with systems integrators and partners focused on total solutions.

INVOICING BY REGION 2002



¹⁾ Europe, Middle East, Africa
²⁾ North, South and Central America



Safer public transport in Naples

Circumvesuviana is one of Italy's oldest public transport companies, with train, bus and tramway traffic in and around Naples. Like other public transport companies in Europe, Circumvesuviana must combat vandalism and crimes against passengers, which are a major and costly problem. To reduce damages and to create a more secure environment for passengers, the operator decided to install a remote surveillance system.

The surveillance solution, which was first installed on the company's trains, consists of micro-cameras connected to an AXIS 2400 Video Server, which allows remote monitoring and recording of high-quality digital images from the trains. The video recordings from the trains can be used as investigative material and as evidence.

"The need for reliable surveillance solutions is self-evident for a company such as ours. Our passengers must feel safe when traveling on our lines. In addition, vandalism and other crimes cost a lot of money," says Fernando Origo, General Coordinator at Circumvesuviana.

EMEA

Market

EMEA, which stands for Europe, Middle East and Africa, is Axis' largest market. The company is represented in virtually every European country.

The European market experienced weak growth during the year, particularly in the largest countries and most notably in Germany. At the same time, the year was characterized by generally greater interest in security, which increased interest in new technology in this area. For Axis, this resulted in a positive effect on the sales trend. Total sales in the region amounted to SEK 316 M during 2002.

Axis on the market

Axis has leading positions in all established product areas in the EMEA region. Through its broad network of distributors and OEM partners, the company can continuously defend and enhance its positions even in more mature markets where the battle for market share is important. During the year, Axis therefore conducted an active marketing campaign focused on print servers, which resulted in stable sales despite generally weaker demand. The declining economy, however, had a negative impact on sales in the Scan & Store product area.

Axis strengthened its position in Video in Europe. Several important orders and contracts were signed with large banks, as well as public authorities and industrial customers. At the same time, efforts were intensified to expand the network of systems integrators and partners focused on total solutions. Partnerships were established with Honeywell and Securitas. In total, Axis partnered with some 70 new companies in the region. This contributed to an increase in sales in the Video product area in the entire EMEA region, with growth of 53 percent, compared with the preceding year.

Some of the strategically important businesses during the year were:

- sale of network cameras to the Dutch tax authorities in cooperation with Honeywell
- surveillance of a Stadium sports store in Sweden in cooperation with Securitas
- Newport City Council in Great Britain, which won a security prize thanks to Axis' network-based surveillance solution for schools
- Caisse d'Epargne in France, which chose to base its new security system for the banking group on Axis products

Market prospects

The sales trend in the EMEA region was stronger during the second half of the year. This is largely attributable to the new partnership agreements that were signed and to the considerable work that the sales organization devoted to training in the Video product area. These efforts should continue to show results during the coming year as well, when high priority will be given to intensive marketing in selected segments. Interest in network cameras and video servers is expected to continue to increase, which is clearly evident in the increased number of inquiries from both distributors and end customers. For 2003, the economy is expected to remain weak with few hopes for greater IT investments. However, Axis expects continued growth in several countries, including southern and eastern Europe.

Facts, EMEA 2002

Sales, SEK M	316
Share of total sales, %	47
Number of employees	43

Axis solutions monitor schools

Axis is expanding its customer base, and its products are now being used in primary schools in Newport in the U.K. Schools and the surrounding area are monitored at night and on weekends with cameras that are connected to an AXIS 2400 Video Server to increase security.

The Axis solution was also recognized with a Security Excellence Award.

"By combining the government's National Grid for Learning and IP-based surveillance technology, this project created real benefits for primary schools in Newport. We are pleased to have won the award and hope that other councils follow our example," says Phil Cox, principal consultant at Newport City Council.



Geographic markets

Facts, Asia including Japan 2002

Sales, SEK M	174
Share of total sales, %	26
Number of employees	46

Asia

Market

The overall economy has been weak in large parts of the Asia Pacific region. Despite the weak economic conditions, however, Asian countries showed an excellent ability to recover. The markets in Australia, New Zealand and Korea showed stable development, and China was a positive surprise. The potential in the Chinese market attracts investors and direct foreign investment, which in turn impact the competitiveness of several neighboring economies.

The market for IP-Surveillance is still at a nascent stage, although demand for solutions and products for security and remote monitoring is growing rapidly. Customers are increasingly demanding total solutions, rather than individual cameras and other products, which require greater knowledge and understanding of specific customer requirements. Like the American market, sales are characterized by longer lead times and sales cycles.

Axis in the market

Despite the generally depressed business climate in the region, Axis was able to achieve growth and improve sales. The main reason was the company's close partnerships with a number of strategically important partners, distributors and resellers.

Important contracts during the year included:

- housing projects, in which Axis supplied video servers to a residential area in Singapore
- installation with a high security profile of a camera solution in the Pacific region in cooperation with Honeywell
- camera surveillance of a prison in New Zealand

Market prospects

When the market recovers, Axis has excellent prospects for further increasing sales through its strong market positions. The company has 10 years of experience in the region. Axis is continuously developing new products and solutions, and striving to increase cooperation with additional partners. With more software suppliers basing their solutions on Axis products, demand for digital technology and IP-based surveillance technology will increase. The long-term growth potential is considered to be significant, particularly in China, but also in neighboring Asian economies.

Japan

Market

Since the early 1990s, the Japanese market has been characterized by a prolonged weakness in the economy. However, this has the greatest impact on established and mature market segments that as a rule are more sensitive to economic fluctuations. With its large players in the IT market, Japan is still the third motor in the global economy and plays an important role in the global perspective. These companies are especially active in driving digitization in various markets and in the growth of IP-based products, which make the Japanese market particularly attractive for Axis.

Axis in the market

Despite the economic slowdown, Axis strengthened its position in Japan in 2002 and noted both earnings improvements and growth. Operations consist primarily of OEM sales in which print servers still account for a significant share. Many of the global printer manufacturers have their head offices in Japan, and for Axis, the relationship with Canon, for example, is very important. During the year, a partnership was also established with Toshiba. The partnerships with strategic IT distributors, such as Softbank, Marubeni info-tech and DIS, were also further enhanced.

Market prospects

As in several other markets, Axis is the market leader in the Video product area. The growth of broadband is creating many new business opportunities for both network cameras and video servers, while competition from Japanese companies is expected to increase. Axis' goal for 2003 is to develop the sales potential in the Video product area under its own brand, while at the same time focusing strongly on OEM sales.

Americas

Market

The general economic climate in the North and South American markets during 2002 was grim. Nonetheless, demand for IP-based network products continued to develop positively. Great interest in security and surveillance systems was a clear trend. Applications for monitoring public places, schools, traffic, authorities and prisons were among the most expansive segments.

At the same time, the weak economic conditions resulted in longer decision processes among customers. Sales cycles for larger security projects, however, are relatively long, even when the economy is strong. The trend is that customers devote more time to evaluating more products and solutions before making an investment decision, which lengthens the time before a contract is secured.



Facts, Americas 2002

Sales, SEK M	180
Share of total sales, %	27
Number of employees	24

Axis in the market

In the Video product area, where Axis has a dominant position in the market, sales increased despite the continued economic slowdown. During the year, Axis signed contracts with a number of new distributors, resellers and systems integrators and entered several new strategically important partnerships. The importance of well-established partnership relations was illustrated by the success achieved within the framework of the partnership with Honeywell. In addition to larger global partnerships within the Axis ADP program, a partnership was also established on several levels with Cisco that can result in significant business opportunities.

The most important distributors in the American market are Ingram Micro, TechData and D&H. During the year, Axis also signed an agreement with Anixter, a distributor of network infrastructure, which is expected to become an important partner.

Education for end customers and systems integrators regarding the benefits of digital technology, together with active PR efforts, are important components in strengthening the market position.

Interesting contracts during the year included:

- surveillance systems for the Olympic Games in Salt Lake City
- network-based surveillance system for the police authorities in Washington
- network cameras and video servers for a federal prison in California
- traffic monitoring in several states, including Minnesota and Florida

Market prospects

During 2003, the U.S. economy is expected to remain weak. At the same time, Axis has a strong position in the rapidly growing market for network cameras and video servers. This market is being driven by increased interest in security, and is considered by analysts to have a very substantial growth potential. The prerequisites for a positive development in the region are therefore considered favorable. Development in the Print product area, which constitutes a smaller proportion of sales, is expected to remain relatively stable, although it will continue to be affected by the general IT climate.



Effective surveillance in Washington

To increase the effectiveness of its surveillance of sensitive public environments, the Metropolitan Police Department of Washington DC (MPDC) invested in a new network-based surveillance system. The system makes it possible for the MPDC and cooperating authorities to monitor and check selected places in Washington, D.C. during major events and to support daily police work.

The system transmits video recording from various places in the District of Columbia to MPDC's command central via a large number of digital cameras. Using a wireless video link, the cameras transmit real-time video to the AXIS 2401 and 2400 Video Servers, which in turn forward the images to the command center at police headquarters.

"Axis video servers were ideal for us, since they could be easily integrated with our existing equipment, thus minimizing the need for additional infrastructure investments," says Walter Collier III, information manager at MPDC. "We wanted the highest possible security at the lowest possible cost. Axis was able to meet both requirements."

Leading technology

The trend toward an increasingly networked society is accelerating. The trend of an ever-greater share of companies, government authorities, public functions, public environments and private homes being connected to IP-based networks is now very evident. There is already a broad range of network applications, from surveillance and document management, to networked washing machines.

Networks are also being enhanced so that they contain more intelligent devices than before when connected devices were often controlled by a central mainframe. In line with this change, and in connection with more types of networked equipment and devices, new opportunities are being created. In short, the number of communication channels between individuals and network devices is increasing, while the need for more user-friendly systems is becoming greater.

Axis' vision for its development work has always been to provide user-friendly, simple and efficient methods that enable users to access everything from anywhere and at any time. This vision has always guided Axis' development work, and the company has now achieved a position in which the company is a driving force in the development of the networked society. The company's proven track record in this area creates significant market potential. Axis has broad experience in all phases of development. Since 1984, Axis has been developing and supplying networked solutions, from chips and hardware to complete systems and applications for end users. Today Axis has a technology base that is an established part of the market for networked solutions, giving the company a significant competitive advantage over other players.

Flexible technology base

At the core of all Axis products is ETRAX, an Application-Specific Integrated Circuit (ASIC) that handles everything that a networked device must be able to do. In a single powerful circuit, ETRAX handles program execution, calculations, memory management and external communications. Based on ETRAX and other components, such as the image compression chip ARTPEC, Axis develops products and solutions for direct connection to wired and wireless networks. Through the built-in flexibility of ETRAX technology, Axis can quickly develop and customize new products and systems that meet the market's requirements.

Over the past two years, the Video product area has experienced strong growth, providing an excellent illustration of the interaction between Axis technology and the company's innovative ability. Axis camera and video products include the two proprietary chips ETRAX (for network connectivity) and ARTPEC (for image processing). ARTPEC is a strong factor in Axis' market-leading position in the video segment.

New product generations

In line with the development goals that were established for 2002, work during the year focused largely on product development and reducing the time from concept to finished product. In total, seven new products that were developed in-house



Axis R&D in brief

During 2002, 18 percent of Axis' total sales were invested in research and development. Research and development, which is centered in Lund, Sweden, employ just over 120 people. Axis' technology is used in the company's own products as well as in products from such companies as Toshiba, Canon, IBM, Sony, Minolta and Panasonic. Axis is a driving force in standards bodies such as the Universal Plug and Play Forum. Important research partners include Lund University and the international research network Hermes. The base for development work is two proprietary chip architectures ETRAX and ARPTEC.

were launched in Axis' four product areas, while at the same time being able to further enhance the offering to OEM and technology customers.

In addition to pure product development, Axis also launched during the past year a new version of the ETRAX chip, the ETRAX 100LX MCM, which is basically a Linux computer measuring only slightly more than two and a half square centimeters. This results in significantly shorter development times and substantially greater opportunities for developing new customized products and solutions.

During 2003, Axis will, apart from developing new products, focus efforts on completing the next generation of the ARPTEC image compression chip. For Axis, the introduction of the new chip will mean a significant market advantage in the Video product area. In keeping with the increased accep-

tance of digital camera and video systems for security and surveillance applications, requirements for user-friendliness and the ability to customize applications are increasing. By introducing a second-generation video chip, Axis will be able to offer solutions that are even more customized.

Patents

An active patent strategy is pursued within Axis to protect the company's investments in intellectual capital and core technology. During the year, nine new patents were granted, relating in part to processor solutions for ETRAX, camera solutions, processing of meta information for images transmitted across networks and a method for selective storage of images. Over the years, Axis has thus obtained 19 patents.



Since its start in 1984, Axis has completed four major and extensive investment and development phases. Operations have been expanded in parallel with the development of the technology base. New products and markets have resulted from each phase.

Knowledge and energy create profitability

Axis is an innovative company whose business success is based on the knowledge, experience and commitment of its employees. The expertise of Axis' employees is of fundamental importance to the company's ability to retain its market-leading position. Axis therefore invests continuously in enhancing the skills of all its employees, thus laying the foundation for profitable growth.

Axis has long systematically built a strong company culture. Together with the employees, management works with a number of values and guidelines that provide the foundation for a stimulating and appealing working environment and create the prerequisites for profitable growth. The values contribute to a common approach among Axis employees in external and internal relations. These values are rooted in the dynamic diversity that characterizes a global company such as Axis. The common guidelines encourage all employees to think creatively and to be innovative in both external projects and the development of new products and solutions. At the same time, the values should instill respect for the differences between people and promote a positive development in which everyone is encouraged to ask questions, take initiatives, show responsibility, forge ahead and always deliver results on time.

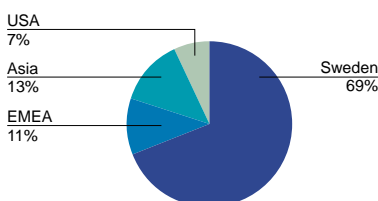
Knowledge and energy create profitability – which in turn means that Axis can develop and invest in technology and personnel, thus resulting in a better offering to customers.

Continuous education

Axis strives to be an attractive employer and offers all employees continuous training. In addition to the introduction program for all new employees, there are internal technical seminars and courses, for example, as well as opportunities for personal development. In order to retain key employees, Axis provides leadership development programs and special career ladders for technicians. The overall objective is to ensure that employees are satisfied and will continue to develop within the company, while at the same time being ready to meet the challenges of advances in technology and customer expectations.

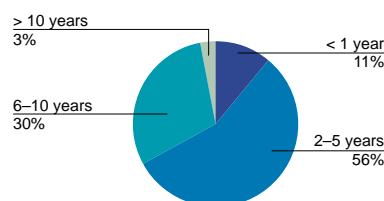
To be able to ensure a high level of competence for future recruitment and to be an attractive choice for new graduates, Axis has been working closely and continuously with the Lund Institute of Technology for many years. Axis provides guidance for some 10 Master theses each year, invites student groups to learn about the company and has employees that teach certain courses.

EMPLOYEES DISTRIBUTED BY REGIONS



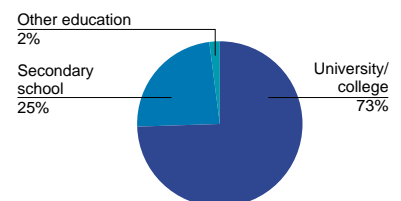
The number of employees totaled 344 in 14 countries at the end of 2002.

LENGTH OF EMPLOYMENT



Most employees have been employed between two and five years.

LEVEL OF EDUCATION



Nearly three quarters of all employees have university or college training.



An attractive employer

Axis was awarded a prize as Sweden's best workplace in the category Work for diversity. Axis also ranked number 10 among Swedish workplaces. Sponsors of the prize were Swedish business weekly Veckans Affärer, Oxford Research and the Great Place to Work Institute. The award was part of an EU initiative to recognize the 100 best workplaces in Europe.

To be able to offer a workplace that employees find enjoyable, Axis also works to develop clearer guidelines for a better working environment and focuses actively on equal opportunity issues. The company encourages women to advance in the organization, for example, and strives to make it easier for both women and men to combine work, parenthood and leisure activities. Today, out of the Group's total of 344 employees, 85 are women and 259 are men. Axis also wishes to encourage good health and fitness among its employees and places great emphasis on fitness programs, in part by making a training facility available and by providing fitness subsidies.

Employee benefits and compensation

In addition to the normal salary, Axis has a bonus program that includes all employees. The company also offers accident and health insurance on favorable terms. To encourage a personal financial commitment and to give employees an opportunity to share in the success that they help to create, Axis offers employees an opportunity to participate in warrants programs. During the 2002 fiscal year, 18 percent of all employees accepted the offer to acquire warrants in the company.

Environmental policy

Axis shall as far as possible reduce the impact of its operations and products on the environment. In line with this, the company works with an overall environmental policy.

Axis conducts preventative environmental work with the aim of continuously improving the entire life cycle of its products. This means, for example, that environmental considerations should always be a self-evident and integrated part of every new project and includes conducting an active dialog about products, packaging and logistics with contract manufacturers and sales channels to ensure that suppliers live up to Axis' requirements. In the purchasing process for office machines and computers, reducing resource consumption is an important factor. Axis has a stated ambition to make sure that manufacturing processes have as little impact as possible on the environment. The company strives to reduce the volume of waste and as far as possible to recycle paper and other residual products.

Facts, employees 2002

Average age	35.5 years
Personnel turnover	6.6%

Opportunities and risks

Some of the important factors affecting Axis' business and the company's financial position are described below.

Business-related risks

Axis is active in the global market and is represented through its subsidiaries and partners in some 70 countries around the world. In most of these markets, Axis is affected by both macroeconomic conditions and changes in technology and among competitors. To manage the business risks and to enable the company to retain its leading position, Axis works continuously to develop technology, address new customer segments and expand into new markets. Two of Axis' strengths are its extensive experience in network technology and its global distribution network. The generally weak economic conditions and restraint with respect to IT investments during the year held back sales growth. Sensitivity to economic conditions, however, is to some extent balanced by the mix in the product portfolio in which established products, such as print servers, is complemented by innovative and fast-growing product areas, such as networked video solutions.

The geographic distribution between Asia, the U.S. and Europe contributes to a favorable spread of risks and to eliminating much of the seasonal dependency that can affect sales in individual countries. Legal risks are constantly considered, and at present, no known changes will take place with respect to camera surveillance, for example, in the markets in which Axis is active.

In part to strengthen the company's position in existing and new markets and in part to avoid dependency on a small number of players, Axis constantly enhances its network of strategic partners, distributors, systems integrators and resellers. In order to create stability and to limit customer-related risks, the goal is that no single customer should account for more than 15 percent of the Group's total sales during the year. Manufacturing is also distributed among several suppliers to avoid production disturbances and to quickly adapt production to market changes.

Personnel

The expertise of its employees plays an important role in Axis' ability to compete with other companies and to meet new

technical challenges. Approximately 73 percent of all employees have a university or college education, and personnel turnover is low. To protect its intellectual capital and to encourage continued commitment on the part of employees, Axis invests in continuous education, as well as bonus systems and an incentive program.

Financial risks and policies

Axis is exposed to a number of financial risks relating to currency, liquidity and borrowing. To minimize these risks and to ensure that financial activities contribute to sound business prerequisites, Axis works with a financial policy established by the Board of Directors. The policy defines, among other things, how the risks should be measured and within which risk intervals. To ensure adequate control and to achieve synergy effects and efficient management of the global organization, the finance function is centralized.

Currency risk

Axis' strong international character means that both sales and profit are dependent on the relation between SEK and other currencies. Exchange rate movements affect the company's profits in a number of ways. These include purchase and sales that take place in different currencies, when regional results are translated to SEK and when assets and liabilities are valued in different currencies.

Foreign currency flows are hedged on a business basis and may not be speculative in nature. Some 70 percent of expected sales after deduction of costs are hedged. It is the Axis Group's total currency exposure that is hedged, not individual companies or regions. If an exchange-rate change of at least 5 percent in relation to SEK risks affecting profits by more than SEK 0.5 M, currency hedging is employed. The most important currencies for Axis are USD, EUR and JPY.

Exchange-rate trends during 2002 were characterized by a stronger SEK against the USD. This was reflected in the sales trend where currency effects had a negative impact of SEK 26 M on sales.

Liquidity and borrowing

On December 31, 2002, Axis had SEK 130 M in liquid funds plus unutilized credit facilities totaling SEK 130 M. The existing credit commitments primarily apply to financing of business operations. Axis' financial strength is primarily measured in the form of liquidity reserves and unutilized credit commitments. The objective is that the two together should no less than 10 percent of average sales for the year.

Axis' financial policy allows the Group's liquid funds to be invested in financial instruments with a remaining term of one year at most. If the investment is intended to be long-term, the instrument's remaining term may amount to two years at most.

The company uses derivative instruments to limit financial risks. Derivative instruments are not used for speculative purposes.

Sensitivity analysis

The table below provides an indication of the most important factors that affected Axis' profit for the 2002 fiscal year. The factors – apart from currency exposure – that are considered to have the greatest effect on prices are purchasing prices and salaries.

Factor, SEK M	Change	Effect on profits, SEK M
Currency, SEK/EUR	+/-5%	+/-1
Currency, SEK/USD	+/-5%	+/-1
Purchasing prices	+/-5%	+/-10
Personnel costs	+/-5%	+/-10

Axis on the exchange

Axis was listed on the Stockholmsbörsen on June 27, 2000 and was included during the preceding year on the Attract 40 list of the Stockholmsbörsen. A round lot consists of 500 shares. During 2002, 12,108,161 Axis shares were traded, corresponding to an average trading of 48,433 shares per market day. Trading in the share took place on all market days. The turnover rate was 18 percent, compared with 122 percent for the exchange average for the A and O lists.

The last paid price on December 31, 2002 was SEK 18.40. The highest price was SEK 25.20 on January 2, 2002. The year's lowest price, SEK 11.00, was noted on October 10, 2002. During the year, the share fell from SEK 25.00 to SEK 18.40, corresponding to a decline of 26.4 percent. During the same period, the Stockholmsbörsen general index fell by 37.4 percent. The Affärsvärlden IT index fell by 65 percent.

Market capitalization

On December 31, 2002, Axis' market value was SEK 1,268 M, which corresponded to a decline of 26.4 percent during the year.

Share capital

The share capital amounted to SEK 689,000, divided among 68,900,000 shares, each with a par value of SEK 0.01.

Development of share capital

Year	No. of shares	Par value (SEK)	Share capital (SEK)
1984	500	100.00	50,000
1985	5,040	100.00	504,000
1987	5,640	100.00	564,000
1997	564,000	1.00	564,000
1999	56,400,000	0.01	564,000
2000	68,900,000	0.01	689,000
2001	68,900,000	0.01	689,000
2002	68,900,000	0.01	689,000

Ownership

At year-end, the number of shareholders was 9,245 (8,582). Institutional investors with holdings of more than 50,000 shares accounted for 23 percent of the share capital. The proportion of foreign shareholders was 2.5 percent.

Axis' ownership structure is shown in the table below as of December 28, 2002.

Owner	No. of shares	Share of capital and votes
Mikael Karlsson, privately and through company (LMK Industri AB)	18,717,764	27.2%
G Kallström & Co AB (part of Skanditek group)	13,539,765	19.7%
Martin Gren through company (Grenspecialisten AB)	7,557,471	11.0%
Livförsäkringsbolaget Skandia	3,125,000	4.5%
Fourth AP Fund	2,964,000	4.3%
Others	22,996,000	33.3%
Total	68,900,000	100.0%

Ownership structure

Size classes	No. of shares		No. of owners		Votes	
		%		%		%
1–500	1,431,423	2.09	6,252	67.63	1,431,423	2.09
501–1,000	1,389,617	2.02	1,552	16.79	1,389,617	2.02
1,001–10,000	3,879,079	5.63	1,313	14.20	3,879,079	5.63
10,001–50,000	1,620,688	2.35	89	0.96	1,620,688	2.35
50,001–100,000	614,640	0.89	8	0.09	614,640	0.89
100,001–	59,964,553	87.03	31	0.34	59,964,553	87.03
Total	68,900,000		9,245		68,900,000	

Per-share data

	2002	2001
Profit/loss after financial items, SEK per share	0.75	-2.17
Cash flow, SEK per share	-0.74	-0.22
Equity, SEK per share	4.53	3.96
Market price on closing date, SEK	18.40	25.00
Market price/equity, percent per share	406	429
Dividend	-	-
P/E ratio	35	-
P/S ratio	1.9	1.7
Number of outstanding shares (000s)	68,900	68,900
Average number of shares (000s)	68,900	68,900

Dividend and dividend policy

Axis' dividend policy is to provide a dividend up to about one-third of the year's after-tax results, with consideration to the company's equity/assets goal. With this policy in mind and the year's results, the Board of Directors proposes a dividend of SEK 0.15 per share.

Warrants

Since 1999, Axis has had an outstanding warrants program open to all employees and intended to encourage long-term commitment to ensuring a profitable business. The terms, number of warrants and the dilution that would result from full exercise of the warrants is shown in the table below.

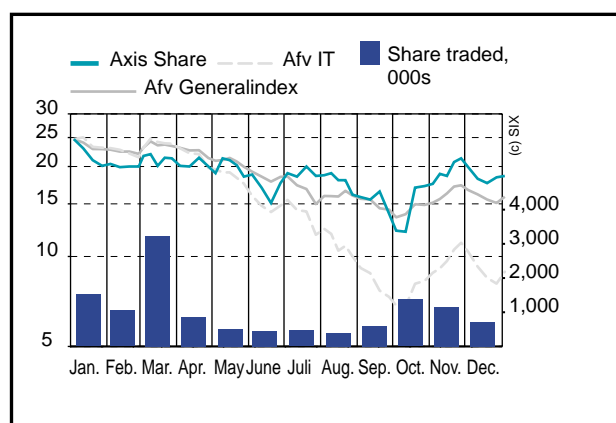
See also Note 23 on page 40 for further information.

Recipient	Maturity date	Exercise price	No. of warrants	No. of shares	Dilution
Personnel in Europe and Asia	04-10-01	19.50	430,000	430,000	0.60%
Personnel in Europe and Asia	05-09-30	54.00	1,128,000	1,128,000	1.60%
Personnel in Europe and Asia	05-09-30	63.00	172,250	172,250	0.30%
Personnel in Europe and Asia	06-10-02	18.00	221,600	221,600	0.30%
Personnel in Europe	07-10-02	26.00	104,200	104,200	0.15%
Personnel in USA	04-10-01	19.50	140,000	140,000	0.20%
Personnel in USA	10-09-30	48.00	172,250	172,250	0.30%
Personnel in USA	06-10-02	18.00	89,000	89,000	0.10%
Personnel in USA	07-10-02	26.00	64,000	64,000	0.09%
Total			2,521,300	2,521,300	3.64

Analysts who regularly follow Axis

Company	Name
Danske Equities	Kenneth Leiling
Deutsche Bank	David Halldén
Enskilda Securities	Lars Sveder
Handelsbanken Securities	Jonas Eixmann
JP Nordiska	Mikael Laséen
Nordea Securities	Greger Johansson
REDEYE	Pontus Herin
E. Öhman J:or Fondkommission	

Share price trend 2002



During 2002, Axis' shares outperformed comparable indexes.