

Interim Report January–March 2003

Sales affected by cautious market

- Group net sales during the first quarter amounted to SEK 153 M (164).
- Operating profit amounted to SEK 0.6 M (11).
- Continued sales growth in the Video product area; up 18% compared with the year-earlier period.

About 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 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 % of sales. Information about Axis can be found at www.axis.com*

Sales

Axis' net sales in the first quarter amounted to SEK 153 M (164). Currency effects during the period impacted net sales negatively in the amount of SEK 18 M. As in the preceding quarter, sales were affected by a weaker U.S. dollar and generally restrained market conditions.

The strong market interest in the Video product area remained unchanged in all geographical regions. Sales of video servers and network cameras increased by 18%, compared with the year-earlier period. Video strengthened its position as the largest Axis product area, accounting for 52% of total sales during the period.

Despite several signs of increased activity early in the year, the period was overshadowed by the uncertain global climate and the weak economy. The conditions created an obvious trend toward greater restraint and postponements in decision-making processes, particularly with large customer projects. This affected both the Video product area as well as customer-specific development within the OEM sector. The continued low level of investments in the IT market contributed to negative sales growth for Print, as well as Scan and Store.

OEM sales accounted for 19% of total sales, compared with 25% during the first quarter of the preceding year.

Operating profit

The Group's operating profit during the first quarter amounted to SEK 0.6 M (11).

The operating margin was 0.4% (6.5). Profit after financial items amounted to SEK 3 M (14). Currency effects did not have any significant impact on operating profit for the period.

As a consequence of lower revenues from customer-specific development work, the gross margin for the period declined to 53.7% (58.7). Operating profit in the quarter was also affected by the implementation of aggressive investments in product development, sales and distribution, resulting in an unchanged level of operating expenses. These activities are in line with Axis' strategy to further strengthen its position in the growing Video product area during the year.

Cash flow and financial position

Cash flow from operating activities during the period amounted to a negative SEK 1 M. Net investments amounted to SEK 4 M. In accordance with recommendation RR15 of the Swedish Financial Accounting Standards Council, SEK 3 M in development costs was capitalized during the period. Axis had SEK 126 M in liquid funds and unutilized credit facilities totaling SEK 130 M. Accordingly, the company's total payment capacity as at March 31, 2003 amounted to SEK 256 M.

Shareholders' equity

The Group's shareholders' equity amounts to SEK 317 M. Changes during the period totaling SEK 4 M were attributable to profit during the quarter. The total number of shares at the close of the period was 68,900,000. Following the exercise of all warrants outstanding, there will be 71,421,300 shares. The Group's equity/assets ratio at March 31, 2003 was 75%.

Business development

Axis has continued to work according to plan to strengthen its positions in the market for network

video solutions and print servers. Technological, product and market development work will prioritize the Video product area to secure continued sales growth in keeping with increased market growth and competition. In addition to a number of aggressive investments in sales and distribution, Axis is also intensifying its efforts to establish new partnerships within various customer segments. Cooperation have been started with Proxim, Videor Technical and Anixter, among other companies.

Increased opportunities to sell Axis video solutions to federal authorities in the U.S. have been created following a federal framework agreement that was reached between Axis and the General Services Administration in January. The agreement covers all Axis network video products for security and surveillance applications.

Axis also participated in two large industrial fairs during the period. At the CeBit Fair, the company's products attracted a great deal of attention despite a decline in attendance, compared with previous years, due to the weak business climate. Axis also attracted widespread interest at ISC West, an American security trade show and, for the second time, the Group was awarded a prize for the best digital video product, this time for the AXIS 2130 Network Camera.

Significant events

Ray Mauritsson assumed the position as the new president of Axis AB on February 24, 2003, succeeding Peter Ragnarsson. Ray Mauritsson has held several senior management positions within Axis since 1995.

Prospects for 2003

Global uncertainty factors are expected to impact economic growth in several of Axis' most important markets. This strengthens the earlier appraisal that 2003 might be another year characterized by IT-investment restraint and weak sales growth. Notwithstanding the difficult market conditions, Axis retains its assessment that the Video product area offers substantial, long-term growth potential. During the year Axis intends to strengthen its positions in the Video product area and maintain profitable development.

Accounting principles

The interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim Reports. The accounting principles and methods of calculation are the same as those applied in the most recent annual report, with the addition of the Council's published recommendations that came into effect as of January 1, 2003.

The company's segment comprises one operating sector.

Parent Company

The Parent Company's operations are focused primarily on Group-wide administration. The Parent Company has no employees. The operating profit amounted to SEK 6 M. Liquid funds amounted to SEK 62 M. There is no borrowing.

Lund, April 22, 2003

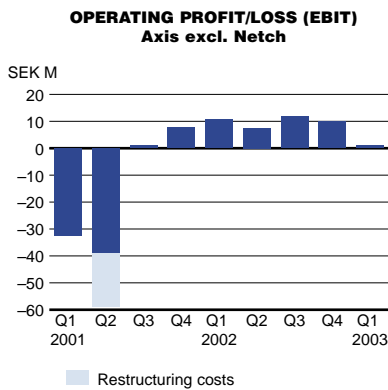
Ray Mauritsson
President and CEO

Invoiced sales by product group (SEK 000s)	Q1 2003	Q1 2002	Q2 2002	Q3 2002	Q4 2002
Video	78,849	66,844	74,756	74,146	85,730
Print	60,796	71,184	74,044	72,554	60,152
Scan	3,042	3,574	3,425	2,704	3,379
Store	5,512	8,321	6,129	9,825	7,829
Access	338	848	3,087	801	1,059
Other	4,014	13,266	9,209	7,522	9,889
TOTAL	152,551	164,037	170,650	167,552	168,038

Invoiced sales by region (SEK 000s)	Q1 2003	Q1 2002	Q2 2002	Q3 2002	Q4 2002
EMEA	72,859	76,790	78,033	70,155	90,925
Americas	42,137	44,926	46,971	49,054	39,229
Asia	37,555	42,321	45,646	48,343	37,884
TOTAL	152,551	164,037	170,650	167,552	168,038

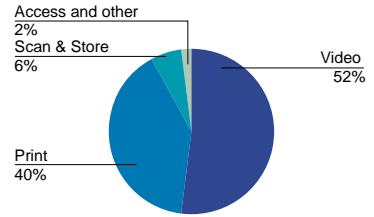
Income statement in brief (SEK 000s)	Q1 2003	Q1 2002	Q2 2002	Q3 2002	Q4 2002
Net sales	152,551	164,037	170,650	167,552	168,038
Gross profit	81,949	96,236	96,601	94,573	96,597
Gross margin	53.7%	58.7%	56.6%	56.4%	57.5%
Operating profit/loss	555	10,652	7,590	11,775	9,641
Operating margin	0.4%	6.5%	4.4%	7.0%	5.7%
Profit/loss after financial items	2,656	13,659	9,265	16,173	12,339

Quarterly data for 2001–2003, see last page in this report.



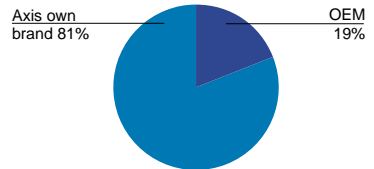
Operating profit during the first quarter of 2003 was affected by reduced sales due to restrained market conditions.

INVOICED SALES BY PRODUCT GROUP Q1, 2003



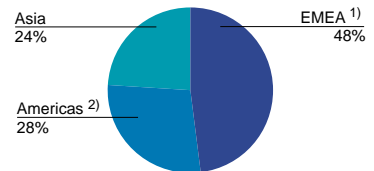
Video is the largest product area of the Axis Group, and demand for network cameras and video servers continues to increase.

SALES BRANDED PRODUCTS/OEM Q1, 2003



The percentage of OEM sales declined, accounting for 19% (25) of total sales during the quarter.

INVOICED SALES BY REGION Q1, 2003



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

Compared with the preceding quarter, sales increased in the Americas but declined in EMEA.

Income statement

(SEK 000s)	Q1 2003	Q1 2002	Full year 2002	12 mos. April 02– March 03
Net sales	152,551	164,037	670,277	658,791
Cost of goods and services sold	-70,602	-67,801	-286,270	-289,071
Gross profit	81,949	96,236	384,007	369,720
Sales costs	-42,119	-41,605	-177,522	-178,036
Administrative costs	-11,412	-14,937	-56,334	-52,809
Research and development costs	-29,927	-31,421	-117,847	-116,353
Other operating income	2,064	2,379	7,354	7,039
Operating profit	555	10,652	39,658	29,561
Net financial items	2,101	3,007	11,778	10,872
Profit after financial items	2,656	13,659	51,436	40,433
Tax	1,556	-1,753	-15,581	-12,272
Profit for the period	4,212	11,906	35,855	28,161
Earnings per share before dilution (SEK)	0,06	0,17	0,52	0,41
Earnings per share after dilution (SEK)	0,06	0,17	0,52	0,41
Number of shares before dilution, average (000s)	68,900	68,900	68,900	68,900
Number of shares after dilution, average (000s)	68,935	68,954	68,985	68,935

Cash flow analysis

(SEK 000s)	Q1 2003	Q1 2002	Full year 2002	12 mos. April 02– March 03
Cash flow from ongoing operations before change in operating capital	3,234	10,404	45,819	38,649
Change in operating capital	-3,982	-4,961	-39,006	-38,027
Cash flow from ongoing operations	-748	5,443	6,813	622
Cash flow from investment operations	-3,634	-1,657	-15,404	-17,381
Cash flow from financing operations	665	-	-42,226	-41,561
Cash flow for the period	-3,717	3,786	-50,817	-58,320
Liquid funds on the opening date	129,956	180,773	180,773	184,559
Liquid funds on the closing date	126,239	184,559	129,956	126,239

Balance sheet

(SEK 000s)	March 31 2003	March 31 2002	Dec. 31 2002
Fixed assets	125,002	134,343	122,434
Inventories	59,248	49,149	57,994
Receivables from customers	90,617	83,633	88,385
Other receivables	24,053	33,764	31,714
Liquid funds	126,239	184,559	129,956
Total	425,159	485,448	430,483
Shareholders' equity	316,771	286,028	312,532
Provisions	3,393	11,796	3,826
Interest-bearing long-term liabilities	-	50,000	-
Non-interest-bearing current liabilities	104,995	137,624	114,125
Total	425,159	485,448	430,483

Key ratios

	Q1 2003	Q1 2002	Full year 2002
Net sales growth (%)	-7.0	0.3 ¹⁾	-0.8 ¹⁾
Gross margin (%)	53.7	58.7	57.3
Operating margin (%)	0.4	6.5	5.9
Profit margin (%)	1.7	8.3	7.7
Depreciation (SEK M)	10	16	14
Shareholders' equity (SEK M)	317	286	313
Capital employed (SEK M)	315	340	311
Interest-bearing liabilities (SEK M)	-	50	-
Net interest-bearing liabilities (SEK M)	-126	-135	-130
Total assets (SEK M)	425	485	430
Return on capital employed (%)	3.6	15.8	16.5
Return on total capital (%)	2.6	10.6	11.7
Return on shareholders' equity (%)	2.5	12.9	12.6
Interest coverage ratio (multiple)	22.1	19.9	24.0
Net debt/equity ratio (multiple)	-0.4	-0.5	-0.4
Equity/assets ratio (%)	74.5	58.9	72.8
Proportion of risk-bearing capital (%)	75.8	60.6	73.9
Capital turnover rate (multiple)	2.0	1.8	2.1
Number of employees (average for the period)	354	328	334
Sales per employee (SEK M)	1.7	2.0	2.0
Operating result per employee (SEK M)	0.0	0.1	0.1

¹⁾ Compared pro forma excl. Netch.

Per-share data

	March 31 2003	March 31 2002	Dec. 31 2002
Share price on closing date (SEK)	13.70	21.30	18.40
Proposed dividend (SEK)	-	-	-
P/E ratio	56	31	35
Number of shares outstanding (000s)	68,900	68,900	68,900

Quarterly data

Invoiced sales by product group excl. Netch (SEK 000s) ^{1) 2)}	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003
Video	52,419	53,562	58,671	73,670	66,844	74,756	74,146	85,730	78,849
Print	80,821	75,326	70,562	81,828	71,184	74,044	72,554	60,152	60,796
Scan	8,211	7,904	5,781	3,281	3,574	3,425	2,704	3,379	3,042
Store	14,130	12,316	10,478	13,720	8,321	6,129	9,825	7,829	5,512
Access	1,062	677	1,273	2,146	848	3,087	801	1,059	338
Other	6,938	18,705	7,923	14,450	13,266	9,209	7,522	9,889	4,014
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650	167,552	168,038	152,551

Invoiced sales by region excl. Netch (SEK 000s) ²⁾	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003
EMEA	71,553	87,000	66,359	85,494	76,790	78,033	70,155	90,925	72,859
Americas	44,579	44,748	51,873	68,576	44,926	46,971	49,054	39,229	42,137
Asia	47,449	36,742	36,456	35,025	42,321	45,646	48,343	37,884	37,555
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650	167,552	168,038	152,551

Income statement (SEK 000s) ²⁾	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003
Net sales	163,581	168,490	154,689	189,095	164,037	170,650	167,552	168,038	152,551
Cost of goods and services sold	-84,739	-79,363	-69,021	-81,249	-67,801	-74,049	-72,979	-71,441	-70,602
Gross profit	78,842	89,127	85,668	107,846	96,236	96,601	94,573	96,597	81,949
Sales costs	-53,417	-61,302	-39,343	-49,870	-41,605	-45,250	-43,881	-46,786	-42,119
Administrative costs	-17,038	-16,662	-13,342	-15,523	-14,937	-15,281	-12,749	-13,367	-11,412
Research and development costs	-38,250	-49,797	-30,812	-32,193	-31,421	-31,166	-27,054	-28,206	-29,927
Items affecting comparability	-	-20,296	-	-	-	-	-	-	-
Other operating income	-	-	-	-	2,379	2,686	886	1,403	2,064
Other operating expenses	-2,486	-484	-1,455	-2,497	-	-	-	-	-
Operating profit/loss	-32,349	-59,414	715	7,763	10,652	7,590	11,775	9,641	555
Net financial items	3,616	-8,555	548	-30,126	3,007	1,675	4,398	2,698	2,101
Profit/loss for the period	-28,733	-67,969	1,263	-22,363	13,659	9,265	16,173	12,339	2,656

¹⁾ At the end of 2001, Axis replaced the previous division organization with a functional organization in which sales are reported by product group starting with the first quarter of 2002. The tables show pro forma sales figures by product group for 2001.

²⁾ During the second quarter of 2001, Axis completed a restructuring that included the sale of its 59 percent holding in Netch Technologies. The tables above show pro forma figures for Q1 and Q2 2001 in which Netch is excluded. Netch, which was previously reported in the EMEA region, is not included in the Group as of Q3, 2001.

This interim report has been reviewed in accordance with the recommendations issued by the FAR. A review is considerably limited in scope compared with an audit. There is nothing to indicate that this interim report does not comply with the requirements of the Securities and Clearing Operations Act and the Accounts Act.

Lund, April 22, 2003

Öhrlings PricewaterhouseCoopers AB

Anders Lundin, Authorized Public Accountant Dan Andersson, Authorized Public Accountant
Senior Auditor

Future financial reports and Annual General Meeting

Annual General Meeting	April 29, 2003
Interim report January–June	July 17, 2003
Interim report January–September	October 21, 2003
Year-end report 2003	February 2004

The Annual Report for 2002 is available

on Axis' Web site, www.axis.com/corporate/investor/financial_reports.htm

Further information is available from the President, Ray Mauritsson, tel: +46-46 272 18 00, the CFO, Jörgen Lindquist, tel: +46-708 90 18 08 or Anne Rhenman, Director, Investor Relations & Corporate Communications, tel: +46-708 90 18 29.



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