

Interim Report, January—March 2004

New generation of video products launched

- Net sales amounted to SEK 152 M (153).
- Operating loss was SEK 6 M (profit: 1).
- Loss before tax amounted to SEK 2 M (profit: 3).
- The result after tax was SEK 0 M (profit: 4).
- Earnings per share were SEK 0.00 (0.06).
- Video continued to show favorable growth, +23%

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 amounted to SEK 152 M (153). The sales trend was affected adversely by an unusually low demand in the Print area at the beginning of the period. Currency effects had a negative impact on sales of SEK 14 M.

At the same time, the Video product area continued its positive development and at the end of the period accounted for 64% of Axis' total sales. Sales growth amounted to 23% compared with the corresponding period a year earlier. All regions showed a distinct increase in the number of customers as well as number of sold units despite the new-generation products not yet having reached the market.

Sales for the Print product area amounted to SEK 43 M (61), a decline of 30% compared with the year-earlier period. The demand was significantly weaker than expected, mainly in January, which can be attributed to the long holiday period as well as to the cautious trend for IT investments in office environments. The market trend for this mature product area is also considerably more sensitive to business climate factors and competition than the fast-growing Video area.

As in the preceding year, the number of customer-specific development products and OEM sales were affected by the restraint among customers. OEM accounted for 18% of Axis' total sales during the quarter.

Operating profit

The Group's operating profit declined to a loss of SEK 6 M (profit: 1), corresponding to a negative operating margin of 3.9% (positive: 0.4) for the first quarter.

The loss after financial items amounted to SEK 2 M (profit: 3). The result after tax was SEK 0 M (4). Currency effects had a negative impact of SEK -4 M on operating profit for the period.

The gross margin amounted to 49.3% (53.7). The lower gross margin is, as for the full-year 2003, a result of reduced revenues from customer-specific development projects, but continues also to be affected of the transition to the new product generation. Compared with the preceding quarter,

however, the gross margin showed a weak improvement, from 48.9% to 49.3%.

Cash flow and financial position

Cash flow from operating activities amounted to a negative SEK 12 M. Net investments totaled SEK 6 M. In accordance with the Swedish Financial Accounting Standards Council's recommendation RR15 applied by Axis, development costs amounting to SEK 3 M were capitalized during the period. Axis had SEK 90 M in liquid funds and unutilized credit facilities totaling SEK 80 M, resulting in total available disposable funds of SEK 170 M as per March 31, 2004.

Shareholders' equity

The Group's shareholders' equity amounts to SEK 300 M. The marginal change during the period is attributable entirely to the result for the period. The total number of shares on the closing date was 68,900,000. After full exercise of all outstanding warrants, the number of shares totals 71,421,300. The Group's equity/assets ratio at March 31, 2004 was 68.8%.

Business development

Axis began the period as planned with the renewal of its product portfolio. The first roll-out of the new-generation video products was video servers in the AXIS 241 series, which offer security installers a simple way to move from analog to digital network video. Benefits include alarm management, built-in motion detection and advanced functions for network security.

The first network camera based on the new video-chip technology, AXIS 210, was launched in March and offers superior video quality and performance at an attractive price. This product also contains built-in motion detection and support for advanced alarm and event detection. The products are based on the new ARTPEC-2 video chip and establishes an entirely new standard for image quality.

Parallel with continued development of sales channels and strategic partnerships, Axis participated successfully during the quarter in many large security and IT trade shows, such as CeBIT in

Germany, ISC West in the U.S., SecTech Expo in Taiwan and the Security Show in Japan. Both the video products launched at the end of last year and the new generation products attracted major interest. The growing acceptance for network video solutions is also very distinct.

The growth for Video was favorable in all regions. Axis' strong market position was confirmed in a report, published in January, by the IMS Research survey company. According to the survey, Axis is the clear market leader in the EMEA region, with a market share of about 60% with regard to network cameras and approximately 35% in the video server segment.

Development during 2004

Axis' positive view of its long-term development remains unchanged. The renewal of the product portfolio that has been initiated strengthens the growth potential for Video in pace with the products being introduced on the market during the year. It is assessed that development in the Print product area will, however, continue to be restrained. Axis' overall goal to achieve profitable growth during 2004 remains valid.

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 regard to the Swedish Financial Accounting Standards Council's recommendation RR29, Employee Benefits, the Axis Group has pension undertakings that are partly defined-benefit, but due to equalization in the insurance companies among other factors, these pension plans, which include several employers, are so-called multi-employer plans. Adequate information from the insurance companies is currently not available to be able to report the undertaking as a defined-benefit undertaking. Consequently, these plans are reported as if they were defined-contribution.

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 result amounted to SEK 0 M (loss: 1). Liquid funds amounted to SEK 67 M and total borrowing amounted to SEK 0.

Annual General Meeting

The Annual General Meeting will be held at 5:00 p.m. on May 13, 2004 at Edison Park, Emdalavägen 14, in Lund, Sweden.

Future Financial Reports

Six-month interim report, Jan-June, July 9, 2004
Nine-month interim report, Jan-Sep, October 15, 2004

Lund, April 15, 2004

Ray Mauritsson
President and CEO

Audit review

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

Lund, April 15, 2004

Öhrlings PricewaterhouseCoopers AB

Anders Lundin, Authorized Public Accountant
Senior Auditor

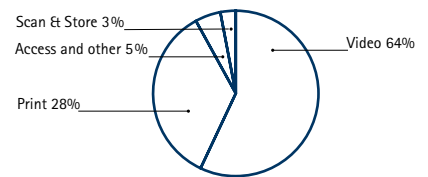
Dan Andersson, Authorized Public Accountant

Invoiced sales by product group (SEK 000s)	Q1 2004	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Video	96,744	78,849	84,522	88,040	104,817
Print	43,053	60,796	57,795	54,063	46,932
Scan	1,871	3,042	2,047	2,232	3,033
Store	3,025	5,512	3,415	5,154	4,285
Access	3,428	338	573	850	292
Other	3,948	4,014	4,536	4,424	4,076
TOTAL	152,069	152,551	152,888	154,763	163,435

Invoiced sales by region (SEK000s)	Q1 2004	Q1 2003	Q2 2003	Q3 2003	Q4 2003
EMEA	78,058	72,859	75,577	74,378	85,525
Americas	39,713	42,137	41,198	45,592	43,478
Asia	34,298	37,555	36,113	34,793	34,432
TOTAL	152,069	152,551	152,888	154,763	163,435

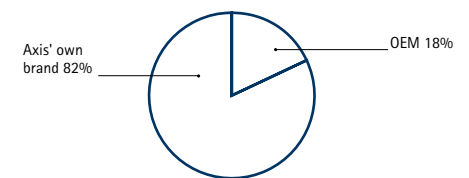
Income Statement in brief, (SEK000s)	Q1 2004	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Net sales	152,069	152,551	152,888	154,763	163,435
Gross profit	74,915	81,949	80,783	79,068	79,930
<i>Gross margin</i>	<i>49.3%</i>	<i>53.7%</i>	<i>52.8%</i>	<i>51.1%</i>	<i>48.9%</i>
Operating profit/loss	-5,942	555	-4,290	813	4,064
<i>Operating margin</i>	<i>-3.9%</i>	<i>0.4%</i>	<i>-2.8%</i>	<i>0.5%</i>	<i>2.5%</i>
Profit/loss after financial items	-1,644	2,656	-657	458	5,867

INVOICED SALES BY PRODUCT GROUP, Q1 2004



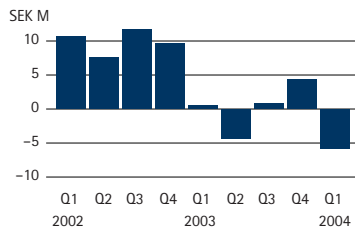
Video is Axis' largest product area, and demand for network cameras and video servers continues to increase.

SALES BRANDED PRODUCTS/OEM, Q1 2004



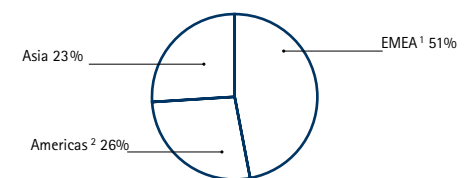
OEM sales accounted for 18% (24) of total sales for the year.

OPERATING PROFIT/LOSS (EBIT)



Operating profit for the first quarter of 2004 was affected adversely by an unusually low demand at the beginning of the period.

INVOICED SALES BY REGION, Q1 2004



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

EMEA showed a sales growth compared with the first quarter of 2003.

Income statement

(SEK 000s)	Q1 2004	Q1 2003	Full year 2003	12 months April 03– March 04
Net sales	152,069	152,551	623,637	623,155
Cost of goods and services sold	-77,154	-70,602	-301,906	-308,458
Gross profit	74,915	81,949	321,731	314,697
Sale costs	-38,269	-42,119	-165,062	-161,212
Administrative costs	-11,439	-11,412	-44,766	-4,793
Research and development costs	-28,340	-29,927	-111,982	-110,395
Other operating income and expenses	-2,809	2,064	1,221	-3,652
Operating profit	-5,942	555	1,142	-5,355
Net financial items	4,298	2,101	7,183	9,380
Profit after financial items	-1,644	2,656	8,324	4,024
Tax	1,891	1,556	-10,900	-10,565
Profit for the period	247	4,212	-2,576	-6,541
Earnings per share before dilution (SEK)	0.00	0.06	-0.04	-0.09
Earnings per share after dilution (SEK)	0.00	0.06	-0.04	-0.09
Number of shares before dilution, average (000s)	68,900	68,900	68,900	68,900
Number of shares after dilution, average (000s)	68,900	68,935	68,900	68,900

Cash flow statement

(SEK 000s)	Q1 2004	Q1 2003	Full year 2003	12 months April 03– March 04
Cash flow from ongoing operations before change in working capital	-4,322	3,234	15,279	7,723
Change in working capital	-7,246	-3,982	-17,119	-20,383
Cash flow from ongoing operations	-11,568	-748	-1,840	-12,660
Cash flow from investment operations	-6,234	-3,634	-28,462	-31,062
Cash flow from financing operations	4,529	665	3,324	7,188
Cash flow for the period	-13,273	-3,717	-26,978	-36,534
Liquid funds on the opening date	102,978	129,956	129,956	126,239
Liquid funds on the closing date	89,705	126,239	102,978	89,705

Balance sheet

(SEK 000s)	2004-03-31	2003-03-31	2003-12-31
Fixed assets	137,221	125,002	131,785
Inventories	74,328	59,248	67,074
Receivables from customers	103,056	90,617	94,078
Other receivables	32,443	24,053	37,656
Liquid funds	89,705	126,239	102,978
Total	436,753	425,159	433,571
Shareholders' equity	300,389	316,771	300,324
Provisions	7,345	3,393	7,081
Long-term receivables	10,913	-	10,200
Current receivables	118,106	104,995	115,966
Total	436,753	425,159	433,571

Key ratios

	Q1 2004	Q1 2003	Full year 2003
Net sales growth (%)	-0.3	-7.0	-7.0
Gross margin (%)	49.3	53.7	51.6
Operating margin (%)	-3.9	0.4	0.2
Profit margin (%)	-1.1	1.7	1.3
Depreciation (SEK M)	12	10	9
Shareholders' equity (SEK M)	300	317	300
Capital employed (SEK M)	316	315	315
Interest-bearing liabilities (SEK M)	11	-	10
Net interest-bearing liabilities (SEK M)	-79	-126	-93
Total assets (SEK M)	437	425	434
Return on capital employed (%)	-1.8	3.6	2.9
Return on total capital (%)	-1.3	2.6	2.1
Return on shareholders' equity (%)	-1.6	2.5	2.0
Interest coverage ratio (multiple)	-7.8	22.1	13.8
Net debt/equity ratio (multiple)	-0.3	-0.4	-0.3
Equity/assets ratio (%)	68.8	74.5	69.3
Proportion of risk-bearing capital (%)	69.3	75.8	69.9
Capital turnover rate (multiple)	1.9	2.0	2.0
Number of employees (average for the period)	341	354	356
Sales per employee (SEK M)	1.8	1.7	1.8
Operating result per employee (SEK M)	-0.1	0.0	0.0

Per-share data

	2004-03-31	2003-03-31	2003-12-31
Share price on closing date (SEK)	15.10	13.70	17.00
Dividend (SEK)	-	-	0.15
P/E ratio	- ¹	56	neg
Number of shares outstanding (000s)	68,900	68,900	68,900

¹ The calculation is based on the rounded-off result of SEK 0 M.

Pro forma

Invoiced sales by product group (SEK000s)	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004
Video	66,844	74,756	74,146	85,730	78,849	84,522	88,040	104,817	96,744
Print	71,184	74,044	72,554	60,152	60,796	57,795	54,063	46,932	43,053
Scan	3,574	3,425	2,704	3,379	3,042	2,047	2,232	3,033	1,871
Store	8,321	6,129	9,825	7,829	5,512	3,415	5,154	4,285	3,025
Access	848	3,087	801	1,059	338	573	850	292	3,428
Other	13,266	9,209	7,522	9,889	4,014	4,536	4,424	4,076	3,948
TOTAL	164,037	170,650	167,552	168,038	152,551	152,888	154,763	163,435	152,069

Invoiced sales by region (SEK000s)	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004
EMEA	76,790	78,033	70,155	90,925	72,859	75,577	74,378	85,525	78,058
Americas	44,926	46,971	49,054	39,229	42,137	41,198	45,592	43,478	39,713
Asia	42,321	45,646	48,343	37,884	37,555	36,113	34,793	34,432	34,298
TOTAL	164,037	170,650	167,552	168,038	152,551	152,888	154,763	163,435	152,069

The Annual Report for 2003 is published on Axis' Web site at:
www.axis.com/corporate/investor/financial_reports.htm

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