

Axis AB | Annual Report 2000



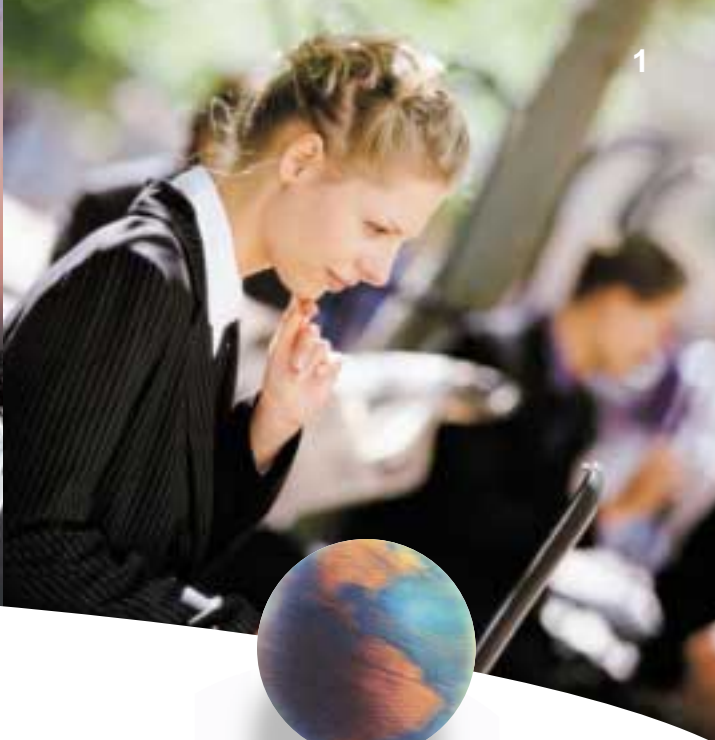


Axis in brief

Axis is a leading supplier of IP connectivity and a pioneer in local mobile networks. In an emerging market of intelligent networks with an increasingly greater need to connect various electronic devices, Axis has an attractive strategic position. It is clear that the Internet is a driving force for growth, particularly for digital network cameras. Axis' vision is to increase the value of the network for users by enabling access to everything, from anywhere, any time. More than 95 percent of Axis' production is exported to over 60 countries. Axis has been listed on the Stockholm Stock Exchange since June 27, 2000.

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The year in brief

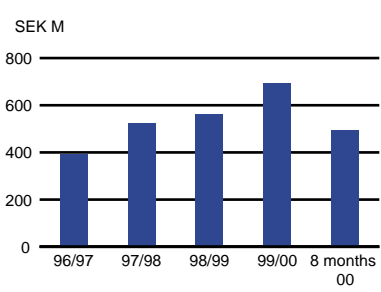
- Continued investment in new products and solutions.
- Axis' first mobile Internet solution presented.
- Strategic partnerships established with Canon and Sony.
- Earnings affected by investments in the new Mobile Internet business area and by losses in Netch Technologies, of which Axis owns 50 percent.
- Structural changes implemented to promote greater market orientation intended to create a stronger sales trend and increased profitability.

Key ratios

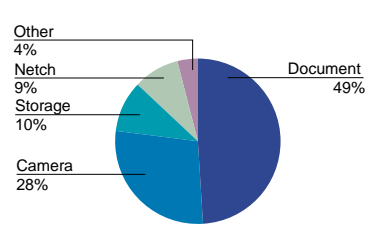
SEK M	8 mos 2000*	8 mos 1999 pro forma	12 mos 1999/2000
Net sales	493.7	481.1	695.2
Operating loss	-165.0	-7.7	-82.2
Loss after financial items	-170.7	-13.4	62.3
Cash flow	183.6	-	12.9
Liquid funds on closing date	196.0	-	12.4

*The shortened fiscal year encompasses the period May 1 - December 31, 2000.

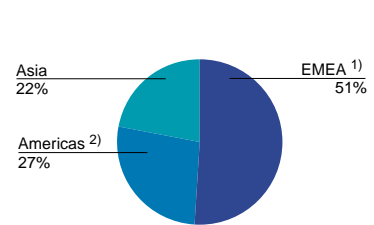
NET SALES



SALES BY BUSINESS AREA 8 MONTHS 2000



SALES BY REGION 8 MONTHS 2000



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

President's comments

The year 2000 was one of the most important in Axis' history. On June 27, 2000, the company was listed on the Stockholm Stock Exchange. The intention was to provide the company with the financial strength required for further expansion geographically and to new product areas, as well as for acquisitions of companies and/or technology. Equity was increased by a total of SEK 446 M through the new issue that was implemented in conjunction with the exchange listing. This influx of capital significantly increases Axis' capacity to act in the company's fourth major phase of development, a phase that entails both development of core technology and product offerings and the establishment of two new business areas. Axis is thus taking a position as one of the world's leading suppliers of IP connectivity and as a pioneer in the area of local mobile networks.

Focus on profitability

Axis' fourth major development phase now becoming a reality

In line with Axis' vision for network connectivity and communication for all types of equipment, the company is, since 1998, undergoing its fourth and thus far most extensive development phase. When the fourth development phase is completed in 2001, Axis will have made extensive development investments that include a new technical platform for embedded systems based on Linux, integration of unlicensed radio spectrum and the development of complete solutions for local mobile networks.

Challenges during 2000

Aggressive investments and increased efficiency

During 2000, Axis was successful in developing products and quickly taking positions in new and expanding markets, while at the same time increasing the efficiency of established operations. This meant that efficiency was increased in the company's established operations, resulting in a turnaround in core operations, ThinServer products, from an operating loss during the first quarter to a profit during the final months of the year. In addition, Axis launched a large number of new products during the year. As a result of Axis' aggressive investments, a number of strategic customer partnerships were forged, of which the most important were with Canon and Sony.

During the eight-month period from May to December 2000, Axis invested SEK 133 M (92) in research and development. Investments in the new Mobile Internet business area were most intensive during the final two months of the year. Costs for this area of operations amounted to SEK 67 M for the eight-month period. The investment that Axis is making in Mobile Internet is the largest in the company's history, but it is also an investment that addresses a significantly larger market than those in which Axis has previously been active.

Changes in the marketplace

The millennium shift changed the market for Axis' more mature product segments Documents and Storage. The unusually strong demand that was noted during 1999 was in 2000 replaced by a generally weaker market for these products. In addition, sharply declining hard disk prices reduced the competitiveness of Axis' CD-server products.

Internet market leads to disappointments in Netch Technologies AB

Netch reported an operating loss of SEK 57 M for the eight-month period. The loss arose due to the expansion, that has been in progress since autumn 1999, did not result in a corresponding increase in sales. During February 2001, Netch was provided with new equity through a new share issue of SEK

57.6 M. Axis subscribed for shares totaling SEK 36.6 M, resulting in an ownership share of 59 percent. In conjunction with the new issue, an action program was approved that is intended to result in profitability in 2001. Personnel is being reduced by 50 percent, and several local offices have been closed. The action program, implemented in two steps, resulted in non-recurring costs of SEK 9.9 M as of December 31, 2000 and SEK 30 M during the first quarter of 2001.

Positive trend and strong financial position

Investments for the future lead to results

The results of Axis' third renewal phase, the products areas that were started during the years from 1995 to 1997, are becoming increasingly evident. One example is digital network cameras. Of total sales during the eight-month period, more than half (55 percent) derived from these product areas and sales of Camera products nearly tripled (+184 percent).

During the year, Axis established the Mobile Internet division, took a clear position as a supplier of total solutions for local mobile networks and also received the first revenues from these product areas. The market for local mobile networks is considered to be substantial over time, but when it will take off is not currently clear. Delays in the deployment of 3G networks and in the take-up of *Bluetooth* technology are also factors contributing to the uncertainty regarding when a commercial breakthrough will occur. During 2001, the company will reduce the level of investments and enter a more market-oriented phase.

Market focus replaces product orientation

The changed market conditions prevailing after the millennium shift resulted in total sales growth that was less than 3 percent during the eight-month period. However, sales were strong in the final two-month period from November to December, resulting in growth of 23 percent, compared with the corresponding period during the preceding year.

A number of structural measures were implemented during the fiscal period that were intended to further strengthen profitability and cash flow and to ensure positive sales growth. These changes resulted in a clearer market orientation replacing the previous product-oriented structure. Successful efforts to link additional strong distribution channels to Axis were also conducted during the period.

Reduction in tied-up capital and strong financial position

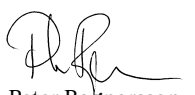
Continuous work to reduce tied-up capital affected operating cash flow positively. With SEK 196 M in cash and credit facilities totaling an additional SEK 85 M, Axis' total payment capacity (solvency) amounted to SEK 281 M on December 31, 2000. The company is thus in a strong financial position for 2001.

Focus on profitability

Axis' position going into 2001 is strong. The Camera product area shows excellent growth potential and the prospects for profitability are also increasing for other ThinServer products. How the anticipated economic downturn may affect Axis is still too early to assess, but during the preceding years, the company demonstrated its ability to quickly adapt to new market conditions.

The company's long-term financial goals, as they were established in conjunction with the exchange listing, remain unchanged. During the early part of 2001 we will continue to report losses, due in part to the investments being made and in part to the restructuring of Netch. Our goal for 2001 is to gradually move toward profitability by completing the most major change program in the company's history so far.

Lund, March 2001


Peter Ragnarsson
President and CEO



Axis operations

Axis is one of the leading companies for products and solutions related to IP-based networks and a pioneer in the field of local mobile networks. Based on its unique expertise in network communications, Axis develops products and solutions for cost-effective and simple connection of both personal devices and peripherals to fixed and mobile networks.

Leader in networking and



The company was founded in 1984 and is currently established as a strong player in server solutions for printers and scanners, storage devices and cameras and video products. Axis will continue to grow from this base, with a focus on profitability and enhancement of business, as well as further strengthening its leading market position.

At the same time, Axis is investing in new markets within mobile Internet and during 2000 launched one of the world's first solutions for wireless broadband access to the Internet and to local networks. Axis thus strengthens its role as a pioneer and a leader in the development of local mobile networks.

Customers and markets

Axis is currently organized in divisions, each of which conducts business and products development. The company is active globally through its own offices in some 15 countries and through partnerships with strategic partners, players and distributors. More than 95 percent of Axis' production is exported to more than 60 countries, with major markets in Europe, Asia and the US. All manufacturing is conducted by sub-contractors.

Several of the markets in which Axis is active have significant potential and are also characterized by rapid shifts of technology. With the technology base that Axis has built up, the company can remain at the forefront of the market and offer new, simple solutions that ensure a continued strong position.

Axis' core business consists of products for printing systems, document management and information storage. Customers are large and medium-size companies and organizations that use networks. The products are sold via distributors or retailers to network users for external connection to existing equipment and to OEM customers for integration in printers and copiers.



local mobile networks

Some of the customers for Axis' camera and video products are found in such sectors as security and monitoring. New customer groups are also emerging in pace with increasing use of the Internet and ever-greater demand for services based on storage and transfer of images.

The Mobile Internet division addresses several customer segments, such as new and established telecom operators, property managers and hotels that see business opportunities in being able to offer wireless services in local networks to their customers.

The largest markets and the greatest interest for wireless solutions are currently found in Japan, the US and Scandinavia. Japan, where Axis has a strong position, is also the leading country in the use of the mobile Internet and the development of devices, such as mobile phones and handheld computers based on *Bluetooth*[™] wireless technology. In the US, the emphasis on technical development is important, resulting in user preferences spreading throughout the world. Through its presence in Silicon Valley, Axis can quickly register and evaluate developments against the trends that arise and are created there. Analysis indicate enormous market potential for wireless products and services, but at what rate the market will develop is still difficult to determine.

Axis has made substantial investments in Japan and elsewhere in Asia that have resulted in growth. These markets currently account for 22 percent of total sales.

Other geographic markets are Europe, the Middle East and Africa with 51 percent of sales and North and Latin America with 27 percent.

Goals

Axis will further strengthen its position through profitable growth in new and established markets. The growth and spread of the Internet and IP-based networks, together with strong demand for the company's camera and video products, are powerful driving forces for Axis' growth. It is Axis' assessment that the Camera and Mobile Internet divisions could account for a significant share of sales within a few years.

One of the goals for the fourth quarter of 2000 was to launch a finished product in the mobile Internet segment. This was achieved in that Axis sold about 200 prototypes of its *Bluetooth* access point for testing by selected customers, primarily in Japan, Europe and the US. Commercial distribution will commence in spring 2001.

The growth target for Axis over the period up to and including 2005 is to increase sales by an average of 30 percent annually and to achieve a margin before tax of between 10 and 15 percent, no later than 2003.

Axis' vision is to increase the value of the network for all its users by enabling access to everything, from anywhere, any time.

A world of intelligent

1984

IBM Protocol conversion

Europe

1992

Print servers

Local networks

Asia

Being constantly connected to the network is an emerging lifestyle. The freedom and the information density that the Internet and a network connection provide is what people today demand – and what Axis wishes to offer users.

Business concept

Axis' business concept is to enable users to connect all types of electronic equipment to the network simply and at low cost. Axis also offers solutions for wireless and secure connections between networks and mobile devices. By using open, IP-based technology, different types of networks are connected in a manner that puts the user in the center. By extension, Axis provides increased access to services and information both within companies and in a number of other locations.

Strategy

Axis' goal is to be one of the market's leading companies for IP-based network device connectivity, including such applications as connection of printers, scanners, cameras and storage devices to networks and the Internet. Axis is also positioning itself in the area of wireless network connections.

Over the past three years, Axis has grown organically, in part by increasing market share within existing segments, and in part through expanding its operations. Axis' strategy for continued growth is:

- **Being first to market with new technology and new product categories.**

Axis' ambition to be the first to market with new technology and product categories places high demands on the company. Axis is continually driven and has succeeded to remain on the front line with such products as the AX-5 multi-protocol print server, the network camera and most recently the *Bluetooth* Access Point and Mobile Access Server.

- **Driving the market in existing product areas.**

This demands market-oriented thinking in combination with Axis' extensive network expertise. During the preceding year, important structural changes were implemented to achieve increased profitability and more efficient utilization of both marketing resources and sales channels. This more dynamic and flexible organizational structure provides opportunities for further development.

The four phases of Axis

Since its founding in 1984, Axis has implemented four major and extensive investment and development phases. Operations have been expanded in parallel with development of the technology base. In this manner, new products and new markets have been added with each phase.

networks

3

1996

ThinServer
Storage
USA

4

1998

Camera products
Mobile systems
Globally

- Providing high customer satisfaction with simple and accessible products and systems.

Axis will secure its position as a supplier of customer-oriented and user-friendly solutions by offering solutions in all areas for different systems and multiple protocols.

- Ensure technical leadership through forceful investments in research and development, strategic partnerships, establishing new operations and recruitment.

A gradual refinement of the technology has raised the knowledge base and enabled Axis to remain on the front line with respect to network technology and embedded systems. Close collaboration with universities and research centers and active participation in industrial technical forums also enable Axis to influence emerging technologies and receive important input for future product development.

As a knowledge company, personnel are an important strategic resource. Axis conducts active recruitment campaigns targeting Lund Technical University and other major institutions.

Axis has also entered several strategic partnerships to further strengthen the company's position in important markets, such as the US, Japan and Europe.



After restructuring, this division has two principal product areas: solutions for network printing (print servers) and solutions for document management and data storage in computer networks (scanner servers and CD and hard disk servers). These products are sold via distributors and retailers to network users for external connection of existing equipment and to OEM customers for integration into printers and copiers among others.

On the forefront in mobile

The year was characterized by a number of important milestones in mobile printing. On several occasions, Axis demonstrated its position as a technology innovator through demonstrations of prototypes that generated considerable attention among existing and potential customers. Axis foresees favorable business opportunities in continued developments in this area.

First in the world

Together with Ericsson, Axis in June demonstrated the world's first solution for wireless printing with *Bluetooth*. One month later, Axis was also elected as a member of the *Bluetooth* Special Interest Group, a standards body that is working with this printing technology. The world's first platform for mobile printing solutions based on *Bluetooth* wireless technology was launched by Axis at the end of the summer. The first commercial prototypes based on *Bluetooth* were delivered to a major Japanese customer in November.

In December, Axis and Lexmark International demonstrated a solution for mobile printing at the *Bluetooth* Developer's Conference in San José in the US. A print server equipped with *Bluetooth* made it possible for conference participants to send documents wirelessly from their portable computers to a printer. Axis' first print server with *Bluetooth*, the AXIS 5800, will be launched commercially during the first quarter of 2001.

Focus on profitability

While the millennium shift contributed to a strong year for the division in 1999, many major companies invested significantly less than expected in IT hardware during 2000. This affected the division's sales of external products, which declined by 28 percent during the year. Work in this part of the business therefore focused on profitability, while distribution channels were devel-

oped to expand the customer base. Several new distributors have been added, including Azlan and Ingram Micro.

One of the results of product development during the year was the launch of a new hard disk server that fulfils file sharing and storage requirement at significantly lower cost than traditional servers.

Growing OEM market

A shift has taken place in print servers toward more built-in solutions, which had a positive impact on OEM sales. Axis' OEM business shows stable growth, with a 33-percent increase in sales, compared with 1999. Sales to Canon, which is the largest customer, increased favorably during the year, and sales to Fuji Xerox and Intermec also contributed positively to results. The general market trend was also positive, since printer and copier manufacturers to an increasing extent are electing to integrate print server solutions in their products and those who already have built-in solutions are including them in more of their products.

New strategic partnerships

In July, a new partnership with Canon was announced where Axis became one of Canon's largest global suppliers of network solutions. To strengthen market positions for Axis-branded products, agreements were signed during the summer with seven new distribution partners that cover all major markets in Europe. In November, Axis presented a strategic partnership with Fibrenetix, which manufactures, markets and distributes storage servers in Europe, Asia and the US. Fibrenetix will use the AXIS StorPoint™ NAS (Network Attached Storage) 100 in its new server solution.

printing

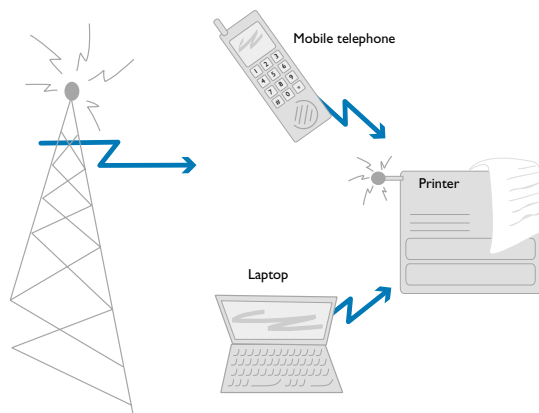
Increased market orientation

As a result of the restructuring program during the autumn, CD and hard disk servers from the previous Storage division were integrated into the division's product range. This created synergy effects, since the products target the same customer category and are often sold through the same distribution channels. Further steps are now being taken toward increased market orientation in the restructuring process. Strategy work during the autumn, which focused on profitability and maximizing the company's strong sales channels and customer relationships, resulted in a decision to divide the division into two units as of January 1, 2001. This will allow each unit to focus on its own market.

"Networked Office" will focus exclusively on sales of network solutions for large and medium-size companies using Axis' global sales organization, well established distribution network and established brands. By focusing on this customer segment and streamlining operations, the intention is to increase profitability and create growth. This unit will supply all network solutions developed within Axis. In the future, it may be possible to market network solutions developed in whole or in part by other companies under the Axis brand.

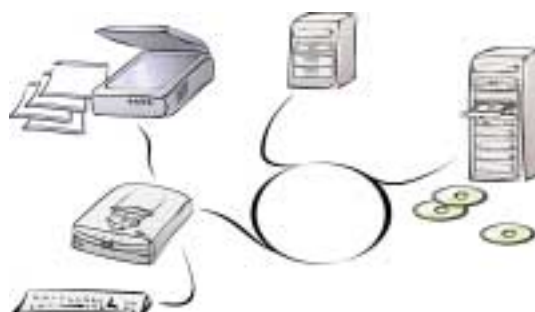
"Office Connectivity OEM" unit is based on the company's strong position as a supplier of network solutions to a number of leading printer and copier manufacturers. The streamlining of OEM operations will create better conditions to exploit the potential in the growing market for integrated server solutions, while continuing to focus on profitability.

MOBILE PRINTING



Axis' first-generation Mobile Print solution.

SCAN-TO-STORE



Axis' Scan-to-Store applications connects a scanning server to a CD server and a hard disk server. Users can scan printed documents using a scan server that are stored temporarily on a hard disk server before being stored permanently on a CD. The scanned documents can then be read via the CD server.

Facts/ Document and Storage

Sales in 2000 (8 months): SEK 289.5 M

Share of Group sales: 49 percent

Products: Print servers, scan servers, CD servers and hard disk servers.

Markets: EMEA, the US, Asia, Japan.

Partners: Canon, Fuji Xerox, IBM, Azlan, Ingram Micro.



Axis is a leader in network cameras. The Camera division develops and markets network cameras and video servers for IT applications in such areas as remote surveillance and live image publishing on the Internet and for the security industry. Partnerships have been established with leading companies in the industry, including Sony and Gyr.

Strong growth for Camera

Growth for Camera products was strong during 2000. Sales increased by nearly 200 percent during the year. The US market was primarily responsible for this growth, but growth in the European and Asian markets was also strong.

Growth for digital

In the security industry, digital network-based systems are gaining ground as a supplement to, and eventually a replacement for, the traditional analog CCTV (Closed-Circuit Television) systems. Interest for the division's products increased as a result of several awards. An Axis network camera received an Achievement Award for the second consecutive year at the internationally renowned security exhibition ISC EXPO 2000 in New York. The same product also received the Highly Recommended Product Award at the Swedish security show, Skydd 2000.

Sony – an important strategic partnership

Closer collaboration with Sony was established through a strategic partnership for joint development of products that include an advanced video server for the security industry based on Axis leading network technology. The first version of this video server, the SNT-V304 Video Network Station, was delivered in September.

The number of third-party developers, meaning companies that are developing applications based on Axis products, increased sharply worldwide.

The AXIS 2100 Network Camera, which was launched on a broad scale during 2000, achieved considerable sales success worldwide. In addition, an enhanced product with built-in motion-detection and improved video quality in image transmission was introduced as the AXIS 2120 Network Camera.

Axis is a driving force in industrial consortia that are developing standards for how devices will be connected and controlled in tomorrow's fixed and wireless networks, such as Microsoft's UPnP (Universal Plug and Play). The Camera division's products were enhanced during the year to ensure that they remain on the leading edge in meeting these standards, thus creating prerequisites for more rapid acceptance in the market.

New application areas increase demand for network cameras

Increased demand can be noted for solutions to companies and individuals requiring simple and low-cost systems for remote monitoring. Network cameras are often used for surveillance of various areas, such as properties and deliver real-time images

Facts/ Camera:

Sales in 2000 (8 months): SEK 136.9 M

Share of Group sales: 28 percent

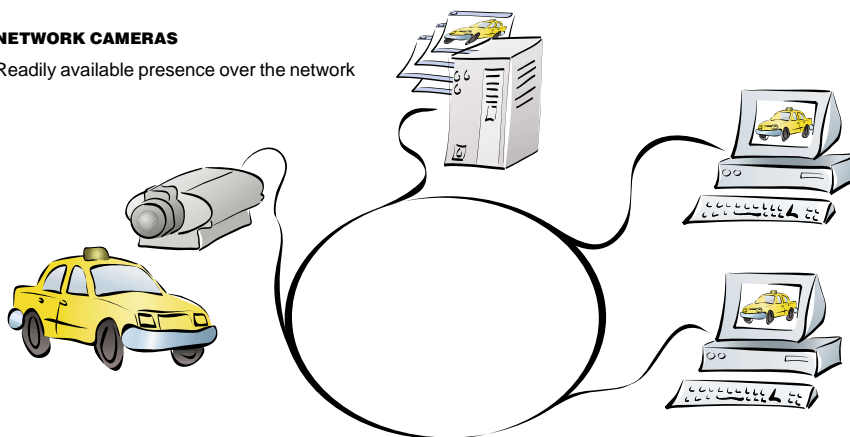
Products during the year: AXIS 2120 Network Camera

Markets: The US and Asia show strong growth

Partners: Strategic partnership with Sony

NETWORK CAMERAS

Readily available presence over the network



products

readily available over an intranet. Remote surveillance allows a “virtual” presence in situations in which physical presence is often was previously too costly or not possible. For example, it will be possible for telecom companies to monitor the widely dispersed base stations for mobile systems from a central location.

The growing number of Internet connection around the world and the increased availability of broadband, in combination with increased interest for the Internet as a business medium, increases the importance of creating dynamic web-sites that can attract many visitors. This trend leads to greater demand for network cameras, since such cameras can show live images in real time, thus increasing interest and strengthening the information content on the Internet or an intranet.

Axis invested in the development of network cameras at an early stage and is currently a strong leader in this area. It is important to make a distinction between the type of network cameras offered by Axis and so-called Web or PC cameras. The differences are considerable, both with respect to functionality and performance cost. A network camera can be directly connected to the network, and only the bandwidth/transmission speed of the network limits the image quality that can be achieved. Axis' network cameras include a web server and support several network protocols. The company has a significant technical and market advantage compared with major multinational companies that are only now beginning to develop network cameras.

Breakthrough for digital security systems

Security applications, such as building surveillance, have traditionally consisted of analog CCTV (closed-circuit television)

systems. During the past year, interest for digital video servers and network cameras increased significantly, which is reflected in both sales results and positive expectations evident in the industry. Factors that affect Axis' video products that continue to affect them in the future include:

- A continued shift in technology from analog to digital network-based systems.
- The economic benefits of centralized remote surveillance of several units (such as offices or stores) compared with decentralized surveillance of each unit.
- A general increase in the demand for security through surveillance.

Competition is expected primarily from large, established companies, such as Samsung, which show a growing interest for network-based digital solutions for image transmission.

Strategies for future growth

The US is a priority market. Work in linking strategic partners to the division will be intensified. The partner program will be expanded to make it even easier for customers to develop solutions based on Axis products that are tailored to their specific requirements. In parallel, there will be a continuous development of high-quality and technically advanced products for the most important markets – IT and security.



This division was formed in February 2000 to develop and market solutions for local mobile networks based on unlicensed radio technologies. Operations are focused on developing complete system solutions with both products and business concepts for wireless Internet access.

The Internet revolution's

The Mobile Internet was initiated last year and has developed very rapidly. Consisting of embryonic ideas and prototype development at the start of operations in early 2000, the division is now an operation with clear strategies and its own organization for product and business development. The preceding year was devoted to developing products, concepts and solutions, as well as establishing contacts with important partners and customers. Several smaller orders were received, primarily from new operators for evaluation and customer trials.

Successful world premiere for access point

Axis' solution for mobile Internet using *Bluetooth* wireless technology was demonstrated for the first time in Monte Carlo in May 2000. This demonstration was followed by participation in major trade shows in Tokyo and Las Vegas. In July, Axis was accepted as a member of the *Bluetooth* Special Interest Group (SIG), which is a standards body. The first certification of the AXIS 9010

Access Point was received in Japan in October. This was followed in December by a simultaneous launch in three continents of the division's solution for local mobile networks. In conjunction with the launch, a price level of about USD 495 was established for the access point. The first volume order was signed with Canon of Japan in January 2001. The product is expected to be ready for volume delivery in spring 2001. Interest is great among OEM and other customers.

A partner program was initiated toward the end of 2000 to speed up the development of services for local mobile networks based on *Bluetooth* wireless technology. Broadening the market to also include telemetry applications based on machine-to-machine communication, a partnership was established with the company connectBlue in Lund, Sweden.

First on the market

Axis is one of the very first companies to introduce a working access point based on *Bluetooth* wireless technology. Interest is great, particularly among large companies. The contract with Canon is one example. There is also interest and demand among smaller companies that are developing software applications.

Axis has made considerable progress in developing a complete system solution that includes both products and business models for public access to the Internet. The core product is called Mobile Access Server, with focus on software developed during the latter part of the year. The market launch of this product is expected to take place during the first half of 2001. This solution, which will be offered to operators of local wireless networks, contains connection and security controls,

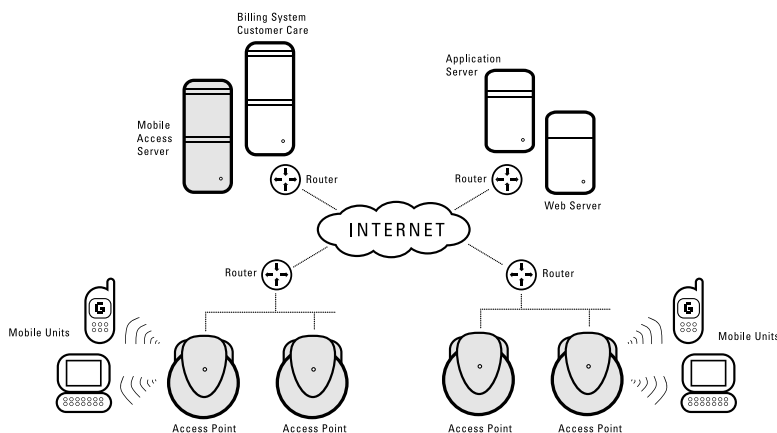


	Facts/Mobile Internet <i>Sales in 2000 (8 months):</i> SEK 1.2 M <i>Products:</i> Access Point 9010, Mobile Access Server. <i>Markets:</i> Japan, ENEA, the US, Asia. <i>Partners:</i> Canon Sales, Toshiba, Socket, Cosant, Strarcus and AU System.
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MOBILE ACCESS SERVER

A local wireless network consists of a number of access points connected to a network that provides Internet communication. The network also includes the Mobile Access Server, MAS, which administers user accounts, positioning services, etc.



second wave

a user database, operational and maintenance support for access points, support for different charging schemes and core functions for positioning services in local wireless networks. An important consideration is that the access point is designed for central locations that allow many local systems, with just a few access points, to be interconnected.

The industry around *Bluetooth* wireless technology underwent major changes during the year from a phase characterized by early prototypes to an industrialization phase in which several manufacturers began to launch products. However, the market is still in its initial stages. Several industrial analysts have presented studies indicating a future market potential of between 800 and 1,400 million *Bluetooth*-equipped devices by the year 2005. Of these, a large number will be capable of connecting to such networks as the Internet or local networks.

Wireless networks with significant potential

During the year, Axis focused relatively strongly on *Bluetooth* wireless technology, with operations currently expanded to other unlicensed radio technologies, such as IEEE 802.11 and technologies for the 5 GHz band. This expansion is primarily intended to broaden coverage of the large market for developing wireless access to portable computers. Both of these technologies are important, since they have different prerequisites. Wireless network technology was developed and is most suitable for wirelessly connecting portable computers to the Internet and to office networks. *Bluetooth* wireless technology, on the other hand, was developed as a more power-efficient technology that is more suitable for wirelessly connecting various types

of mobile phones and other handheld devices with limited battery capacity.

As more portable computers, handheld computers and mobile telephones are equipped with new technology, the market for Axis' products will grow.

In addition to homes and offices, public areas will be among the first locations to be equipped with wireless network access. These locations will initially be business-related and include airports, railway stations, hotels, shopping centers, restaurants and entertainment complexes. Customers will be able to connect effortlessly to access e-mail, surf the Internet and use entertainment or location-based information services. In these environments, security considerations are important. Axis is working towards offering a high level of security for users and protection against eavesdropping on sensitive information, as well as simple and secure login functions for both public services and intranets. This is an area in which Axis' products and system solutions have significant potential.

Yet another important aspect is the role that local wireless networks will play as a supplement to licensed wide-area networks, such as GPRS and 3G/UMTS. Local wireless networks can offer solutions that are more powerful, faster and less expensive.

Geographically, the future sales potential is greatest in countries with an advanced level of technology and high penetration for mobile phones. Attractive markets are primarily Japan, North America, Scandinavia and leading industrial countries in Europe.

The Technology division was established in May 2000 to conduct sales of Axis' technology to companies that are developing intelligent embedded systems. Technology sales are a complement to Axis' other products and solutions.

Cost-effective solutions

Although Axis' technology can be applied in many areas, it is particularly suitable as an alternative to PC technology. Compared with conventional solutions, Axis' technology provides a more cost-effective total solution, thanks to license-free software, higher reliability, simpler administration and lower cost for hardware. In addition, the products use very little power. They can also be designed to take less space than traditional PC-based solutions, and have no moving parts that can break.

Next-generation technology

The division began sales of developer boards in June via the website developer.axis.com. The developer board allows third-party developers who wish to base a proprietary product on Axis technology to get started quickly. Substantial interest in Axis' technology platform was noted in Asia at an early stage. To better address these customers' requirements and to support them in their development work, the division organized a seminar in Seoul in autumn 2000.

Axis' next-generation technology offering, the ETRAX 100LX proc-

essor, was presented during the year. This is the world's first processor that is specially designed to perform efficiently in embedded systems in combination with Linux.

During the year, technology partnerships were established with a number of companies, including Trygghetsbolaget, which together with Axis is developing an alarm system for broadband-connected homes.

Competitive advantages and wireless applications

Technology sales are a complement to product offerings from other Axis divisions. There is a competitive advantage in the broad expertise that Axis possesses in TCP/IP, which is the most common communications standard for the Internet. Ethernet and TCP/IP have grown stronger and are used in an increasing number of attractive areas:

- The home market, where there are an increasing number of homes with Ethernet-based broadband connections.
- Industry, which is moving towards greater standardization and use of Ethernet.
- The security market, which is moving from analog to digital systems.

To meet the substantial demand for wireless applications based on Axis' technology, the Technology division will increase developer support for these types of applications.

Facts/Technology

- Sales in 2000 (8 months): SEK 1.6 M
- 12.000 visitors per month at developer.axis.com

Other operations

Axis is a part owner in the unlisted companies Netch Technologies AB and nBand Communications Inc.

Development for wireless systems

Netch Technologies AB

Netch Technologies AB (Netch), which was established in 1996, works with the development of system solutions for Internet and mobile Internet. The company focuses on two areas: e-business and mobility. In the area of e-business, Netch works primarily with such companies as Ericsson, Telia, Bertelsman and TetraPak.

Netch's business concept is to offer system solutions for personalized transaction where every individual is a unique mobile marketplace with an interest in conducting transactions without consideration for type of media, location or time.

Development currently focuses on mobile Internet solutions that feature here-and-now availability and customized services based on the user's current location. Using technology based on *Bluetooth*, for example, local wireless networks can be created in which companies, municipalities or other public authorities are operators offering customized services.

Following a new share issue that was completed in February 2001, Axis is the largest owner in Netch, with 59 percent of the capital and voting rights. Axis subscribed to newly issued shares for a total of SEK 36.6 M. Other major shareholders include Visionalis AB, Great Digital Communications i Sverige AB and the 6th AP Fund.

nBand Communications Inc.

nBand Communications Inc. (nBand) develops advanced chip technology with the objective of becoming a leading supplier of DSP circuits for wireless broadband communications. The company is developing a new type of technology to meet the

market's increasing demand for broadband, flexibility, development speed and cost-efficiency in future generations of base stations and access points.

nBand's primary competitive advantages are its chip architecture and development methodology, which allow flexible wireless systems to be developed more rapidly and at lower cost. The company's first circuit and associated development environment are expected to be introduced during the first half of 2001.

Through its close partnership and contracts with nBand, Axis will gain access to cutting-edge technology for digital signal processors. In addition, nBand contributes a local awareness and strengthened presence in Silicon Valley.

Axis is the largest industrial owner of nBand with an 11-percent share before dilution. In addition to Axis, the principal investors include VantagePoint Ventures Partners, Sunrise Capital Fund and a leading mobile telephone company. Through a round of financing in September 2000, nBand received an additional USD 14 M. Axis' total investment in nBand amounts to USD 3.6 M.



Research and development

Through aggressive investments in research and development, Axis is ensuring its position as a leading high-tech company. Research and development are conducted both within the company's various divisions and through the corporate function Research and Core Technology. Axis employs approximately 190 persons within research and development.

Focus on connectivity



While operations in the divisions are primarily focused on product development, the Corporate Research and Core Technology function focuses on technical development and research. This function has a research perspective of two to five years and is intended to provide a long-term perspective in current product development, identify new product areas for the future and to ensure technical expertise in emerging technologies and applications. The company's research emphasis is placed on connectivity and networks.

With its core in embedded systems based on proprietary ASICs (Application-Specific Integrated Circuits), Axis develops solutions in the areas of wireless networking, video applications and office applications. The company's core technology for embedded systems is the proprietary network processor ETRAX.

Influencing future product development

Through close collaboration with universities and research centers and active participation in industrial technology forums, Axis is able to influence emerging technologies and receive important information for future product development.

Axis is a member of the Universal Plug and Play (UPnP) Forum and the UPnP Home Automation & Security Working Committee in the area of video products. Through its membership, Axis was a participant in the first Universal Plug-and-Play plugfest at which member companies tested product designs and interoperability. In addition to UpnP, Axis is a member of the ISMA (Internet Streaming Media Alliance), which is headed by Cisco and Sun Microsystems. Together with these companies, Axis is working to refine standards for video over IP.

During 2000, Axis became a member of Lund Technical University's Competence Center for Circuit Design (CCCD). Through this membership, the company is actively participating in joint research efforts relating to new circuit designs for embedded systems. Axis was also awarded a patent in this area entitled "Method and apparatus for interfacing network peripheral devices with a browser."





and networks

Axis has also been accepted as a member of HERMES' Industrial Advisory Board (IAS). HERMES is a European research network consisting of leading companies and research centers in data and telecommunications. As part of its membership, Axis plans to promote active research collaboration related to personal area networks (PANs).

Wireless networks

In the area of wireless networks, Axis presented the world's first *Bluetooth* access point during the year. In addition, a server for administration of access points was demonstrated. Apart from *Bluetooth*, Axis is working with other standards for wireless networks using unlicensed frequency bands and has developed a platform for 802.11.

Axis is conducting basic research in technologies for the 5 GHz frequency band with a focus on standards that offer broadband communications and support multi-media services. By already working with these technologies, Axis is establishing a strong position when wireless broadband is expected to reach the market toward the end of 2002. Thus far, work has been conducted jointly with nBand in California, a company in which Axis is a part owner. Axis is also an active participant in the industrial consortium HiperLAN/2 Global Forum.

Video applications

Through increased investments in integrating the open operating system Linux into products, the prerequisites for both in-

house and third-party development for applications based on cameras and video servers have been improved significantly. These products are enhanced to support PHP, a scripting language widely used for Internet applications, thus making them customizable components that can be adapted to a variety of different applications and systems. Further adaptation to Microsoft's development environment also took place during the year.

Office applications

Development was conducted during the year for a number of office applications, including print servers, CD and hard disk servers and document servers. Among the results were new versions, expanded functionality and simplified use. Product development also resulted in the launch of several new products, including the world's first system for wireless printing with *Bluetooth*.

Patents

In ensuring its position as a leading high-tech company, Axis is constantly increasing its patent portfolio. Patent applications that cover the company's core technology at the circuit and application levels, as well as at the system level, are made continuously. In addition, patents are sought for product design. During the second half of the year, seven patents were awarded.

Human resources

The collective expertise of Axis' employees constitutes the company's human resources. The specialist skills of our employees and their experience has contributed to the leading position that Axis has attained in most of its product areas.

A strategic resource

Axis' unique network expertise, together with the international expertise of its marketing organization, are the factors behind the company's success in the global market. To retain the company's leading-edge expertise and competitive position, Axis works actively to promote personnel development in both existing and new areas of knowledge.

Young and highly educated employees

Many of Axis' employees are young – the average age is 33. The number of employees at year-end 2000 was 421 persons. In addition, there were 164 persons employed in Netch Technologies AB. In total, the number of employees increased by 13 per cent during the year.

Of Axis' 421 employees in 17 countries, about 190 are employed in research and development, while about 170 work in sales, marketing and support.

The company is successful in attracting highly skilled employees, as well as creating a successful working climate and a strong company culture. In addition, Axis has a decentralized management structure and a dynamic organization that is able to act quickly in response to external changes and opportunities.

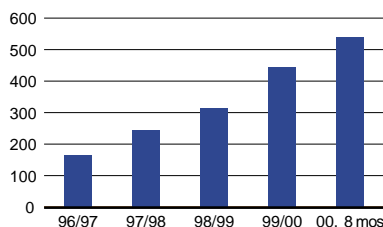
Active recruitment

New recruitment is important for a high-tech growth company like Axis, in part to support growth and in part to supplement expertise in all areas. Axis' growth rate and target mean that the number of new recruits will continue to be high over the coming five-year period. Axis recruits actively from Lund Technical University, where some 30 students each year are invited to conduct thesis work within Axis' development organization.

Incentive programs

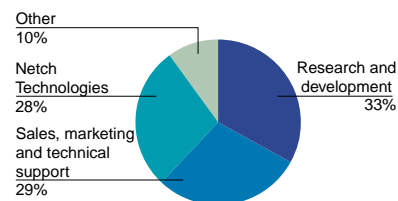
Incentive programs intended to retain personnel and increase participation are an important part of what Axis offers employees. A personal long-term financial commitment stimulates the employee's interest in the company's business, increases motivation and strengthens loyalty to the company. Axis' employees have been offered warrants on two occasions, once in 1999 and a second time in conjunction with the exchange listing in 2000.

AVERAGE NUMBER OF EMPLOYEES



The average number of employees increased 227 per cent over the past five years.

EMPLOYEES GROUPED BY FUNCTION



Of Axis' 421 employees, about 190 work with research and development, while about 170 work with sales, marketing and technical support.

Risk management

Axis is active in an international market. More than 95 percent of products are exported to over 60 countries. Sales are conducted primarily under the Axis brand and to OEM customers.

Global business risks

Operating risks

All markets and regions in which Axis competes are subject to price pressures, frequent product changes and the introduction of new standards and requirements. Axis continuously reviews these factors to enable its results to be compared with the competition. In addition, Axis has an established process for continuous development of future technical platforms and new systems and their possible integration with other standards.

All manufacturing is conducted via sub-contractors to achieve short lead times from product development to mass production and to be able to quickly re-configure production, if necessary. This also makes it possible to reduce inventories and negotiate prices and conditions. To spread risk and to avoid various types of production disturbances, Axis works with several suppliers in different geographic markets.

Financial risks

Axis' business operations are exposed to several different types of financial risks, including currency risks and liquidity risks. These are defined and managed in accordance with the Group's financial policy, which includes directives for how risks should be assessed, acceptable risk intervals and how responsibility and authority should be delegated.

Currency policy

Through its global operations, Axis is exposed to currency risks that can affect the company's profitability. These include both transaction and translation risks. Axis has therefore established a currency policy that is based on the principle that all hedging of currency flows should take place on commercial terms and not be speculative in nature.

Axis employs monetary and non-monetary methods for translating the net assets of subsidiaries to SEK. If there is a risk that a change in the exchange rate will affect profitability by

more than SEK 0.5 M, then hedging is employed. The Group's policy is to hedge this exposure, including any tax consequences. About 70 percent of anticipated sales, after reduction for costs, is hedged. Costs are charged against income in the same currency within the Group, regardless of where the income and expenses arise. It is thus not the currency exposure of individual subsidiaries that is hedged, but rather the Group's exposure.

Axis subsidiaries within the EU have adopted the euro as the currency for reporting, with the result that most payment flows have been simplified and transparency for most of Axis' products on the European market has increased.

During the fiscal year 2000, the total share of income in foreign currency amounted to 94 percent. Currency exposure relates primarily to USD, EUR and JPY.

Investments and financing

The Group's financial capacity, including unutilized credit facilities, amounted to SEK 281 M at year-end. The credit guarantees currently available relate primarily to the financing of operations.

Liquid funds may be invested in instruments with a remaining period of at most one year. If the investment is intended as a long-term investment, the relevant instrument's remaining period may amount to two years at most. The corporate finance function employs financial derivatives to limit financial risks in accordance with the finance policy. Derivatives may not be used for speculative purposes.

Sensitivity analysis

Factor	Change	Affect on operating profit (SEK M)
SEK/USD	+/-5%	+/-4
SEK/EUR	+/-5%	+/-11
Purchase price	+/-5%	+/-15
Salary costs	+/-5%	+/-10

The table provides an indication of the most important factors affecting Axis' results.

Five-year review

	1996/1997	1997/1998	1998/1999	1999/2000	2000, 8 mos	Pro forma 2000, 12 mos
Income statements, SEK 000s						
Net sales	393,659	521,715	559,789	695,183	493,651	707,686
<i>of which Netch</i>	–	–	–	60,703	42,844	66,154
Costs of goods and services sold	–194,582	–245,825	–238,835	–323,429	–283,356	–397,921
Gross profit	199,077	275,890	320,954	371,754	210,295	309,765
<i>of which, Netch</i>	–	–	–	23,108	–18,109	–10,258
Selling costs	–110,512	–174,305	–184,212	–239,229	–186,648	–275,699
Administrative expenses	–24,338	–29,446	–36,950	–62,812	–53,483	–83,402
Research and development expenses	–49,538	–76,709	–93,657	–144,585	–133,065	–185,298
Items affecting comparability	–	25,959	–	–	–	–
Other interest income	14,111	–	–	–	–	–
Other interest expense	–	–3,233	–1,163	–7,358	–2,139	–4,918
Result from participations in associated companies	–	–2,865	2,115	–	15	15
Operating profit/loss	28,800	15,291	7,087	–82,230	–165,025	–239,537
<i>of which, Netch</i>	–	–	–	–11,534	–56,877	–63,060
Net financial items	–701	–4,117	–6,274	19,901	–5,710	19,880
Profit/loss after financial items	28,099	11,174	813	–62,329	–170,735	–219,657
<i>of which Netch</i>	–	–	–	–12,409	–58,638	–65,334
Tax for the period	–11,660	–1,700	–2,859	18,942	35,790	–
Minority share in profit/loss for the period	–	–	–	–8,281	27,091	–
Net profit/loss for the year	16,439	9,474	–2,046	–51,668	–107,854	
Balance sheets, SEK 000s						
	30 April, 1997	30 April, 1998	30 April, 1999	30 April, 2000	31 Dec. 2000	
Fixed assets	36,109	32,636	37,218	91,124	160,119	
Inventories	49,369	81,522	77,587	69,887	60,119	
Accounts receivable – trade	87,075	102,390	102,277	131,996	137,960	
Other receivables	13,813	17,506	31,427	34,522	73,247	
Liquid funds	40,509	10,203	–	12,419	195,993	
Total	226,875	244,257	248,509	339,948	627,438	
Equity	79,092	87,056	85,010	27,140	379,739	
Minority interests	–	–	–	9,905	12,125	
Provisions	14,376	12,646	11,342	12,253	15,175	
Long-term liabilities	53,587	67,495	79,713	162,822	51,363	
Current liabilities	79,820	77,060	72,444	127,828	169,036	
Total	226,875	244,257	248,509	339,948	627,438	
Cash flow statements, SEK 000s¹⁾						
		1997/1998	1998/1999	1999/2000	8 mos 2000	
Cash flow from current operating activities before change in working capital		2,664	5,932	–79,978	–107,706	
Change in working capital		–53,921	–14,493	30,270	–6,287	
Cash flow from current operating activities		–51,257	–8,561	–49,708	–113,993	
Cash flow from investing activities		14,351	–12,985	–15,232	–38,465	
Cash flow from financing activities		6,870	10,875	77,827	336,032	
Cash flow for the period		–30,306	–10,671	12,887	183,574	
Liquid funds at beginning of the period		40,509	10,203	–468	12,419	
Liquid funds at end of period		10,203	–468	12,419	195,993	
Operating cash flow, SEK 000s						
	1996/1997	1997/1998	1998/1999	1999/2000	8 mos 2000	
Profit/loss after financial items	28,099	11,174	813	–62,329	–170,735	
Depreciation	5,267	7,233	8,110	13,030	13,344	
Tax	–16,714	–5,658	–3,870	–1,726	–797	
Total	16,652	12,749	5,053	–51,025	–158,188	
Change in working capital	–9,722	–53,921	–14,493	30,270	–6,287	
Net investments	–5,849	–17,814	–11,831	–29,634	–38,465	
Operating cash flow	1,081	–58,986	–21,271	–50,389	–202,940	

¹⁾ Figures for 1996/1997 not available.

Key ratios	1996/1997	1997/1998	1998/1999	1999/2000	8 mos 2000
Net sales growth (%)	20.2	32.5	7.3	24.2	2.6
Gross margin (%)	50.6	52.9	57.3	53.5	42.6
Operating margin (%)	7.3	2.9	1.3	neg	neg
Profit margin (%)	7.1	2.1	0.1	neg	neg
Equity (SEK M)	79	87	85	27	380
Capital employed (SEK M)	133	155	165	200	447
Interest-bearing liabilities (SEK M)	54	67	80	163	51
Net interest-bearing liabilities (SEK M)	13	57	80	150	-145
Total assets (SEK M)	227	244	249	340	627
Return on capital employed (%)	30.3	18.3	5.3	neg	neg
Return on total equity (%)	17.6	11.2	3.4	neg	neg
Return on shareholders' equity (%)	21.7	11.4	neg	neg	neg
Interest coverage ratio (multiple)	5.5	1.7	1.1	neg	neg
Net debt/equity ratio (multiple)	0.17	0.66	0.9	5.6	neg
Equity/assets ratio (%)	34.9	35.6	34.2	10.9	62.5
Share of risk-bearing capital (%)	41.2	40.8	38.8	14.3	64.3
Capital turnover rate (multiple)	3.5	3.6	3.5	3.8	2.3
Number of employees (average for period)	165	243	313	445	540
Sales per employee (SEK M)	2.4	2.1	1.8	1.6	0.9
Operating profit per employee (SEK M)	0.2	0.1	0.0	neg	neg
Per-share data	1996/1997	1997/1998	1998/1999	1999/2000	8 mos 2000
Profit/loss per share	0.24	0.14	-0.03	-1.10	-3.89
Cash flow, SEK per share					4.19
Equity, SEK per share	1.40	1.54	1.51	0.20	5.50
Share price on December 29, 2000 ¹⁾					17.50
Share price/shareholders' equity, % per share ¹⁾					318
Price/earnings ratio (P/E) ¹⁾					-
Market value/sales (P/S) ¹⁾					1.6
Dividend	0.04	-	-	-	- ²⁾
Total number of outstanding shares on closing day (000s)	56,400	56,400	56,400	56,400	68,900
Average number of shares (000s)	56,400	56,400	56,400	56,400	65,775

Definitions

Capital employed

Total assets less non-interest bearing liabilities including deferred tax liability.

Capital turnover rate

Net sales divided by average capital employed shares (adjusted to 12 months for 2000).

Cash flow per share

Cash flow for the year divided by the average number of shares (adjusted to 12 months for 2000).

Equity assets ratio

Shareholders' equity including minority interests as a percentage of total assets.

Equity per share

Shareholders' equity divided by the number of outstanding shares.

Gross margin

Gross profit as a percentage of net sales.

Interest coverage ratio

Profit after net financial items plus financial expenses divided by financial expenses.

Net debt/equity ratio

Net interest-bearing liabilities divided by shareholders' equity.

Net interest-bearing liabilities

Interest-bearing liabilities reduced by liquid funds.

Operating margin

Operating profit as a percentage of sales.

Operating profit

Profit after net financial items as a percentage of sales.

Operating profit after depreciation of tangible fixed assets

Operating profit after depreciation of tangible fixed assets as a percentage of sales.

P/E

Market value divided by profit after full tax.

P/S

Market value divided by net sales (adjusted to 12 months for 2000).

Profit per employee

Operating profit after depreciation divided by the average number of annual employees.

Profit/loss per share

Profit for the period after full tax divided by the average number of shares (adjusted to 12 months for 2000).

Return on capital employed

Profit after net financial items plus financial expenses divided by average shareholders' equity.

Return on equity

Profit after net financial items less full tax divided by average shareholders' equity.

Return on total capital

Profit after net financial items plus financial expenses divided by the average balance sheet total.

Sales per employee

Sales divided by the average number of annual employees.

Share of risk-bearing capital

Shareholders' equity plus minority interests and deferred tax liabilities as a percentage of the balance sheet total.

¹⁾ The Axis share was listed on June 27, 2000.

²⁾ Proposed dividend.

Board of Directors' report

AXIS AB Corp. reg. no.: 556241-1065

The Board of Directors and the President submit herewith the annual report and consolidated financial statements for the shortened fiscal year of May 1, 2000 – December 31, 2000.

Operations

Axis is one of the global leaders in network connectivity and a pioneer in the field of local mobile networks. In an emerging market of intelligent networks with an increasingly greater need to connect various electronic devices, Axis has achieved an attractive strategic position through a well-implemented technology and marketing investment program. The Internet is a driving force for growth, particularly for digital network cameras. Axis' vision is to increase the value of the network for users by enabling access to everything, from anywhere, anytime.

The company has built a solid foundation for global action through subsidiaries, distributors and strategic partners. Sales are generated through company subsidiaries and outside distribution channels in all global regions. For some years now, Axis has been implementing a massive expansion of the global presence and the associated distribution organization and the company is now doing business in more than 60 countries via 23 offices in 17 countries. A sales office was opened in spring 1997 in the key IT market of Silicon Valley in Mountain View, California.

The company carries out all product development in-house, with production outsourced to three selected subcontractors. The strategy yields high flexibility and capacity for rapid adaptation of the business in response to fluctuating volume.

Axis initiated a phase of investment and renewal in 1998 in response to developments in wireless data communications and the consequent opportunities for mobile Internet, and the convergence between fixed and wireless networks, protocols and applications, and telecommunications and data communications. This fourth phase in the development of Axis includes *Bluetooth* and wireless multi-protocol technology. It is aimed at products for wireless network connection of peripherals of the type for which Axis' earlier products were adapted, as well as personal communications devices such as laptop computers, mobile telephones and personal digital assistants (PDA).

Significant events

Axis was listed on the O-List of the Stockholm Exchange on 27 June 2000. The objective was to provide Axis with the financial strength necessary for further expansion, geographically and with respect to new product segments, and for acquisitions of companies and/or technology. The new share issue in conjunction with the IPO provided a capital infusion of SEK 446 M. The added equity has afforded Axis significantly greater freedom to develop basic technology and product lines. During 2000, Axis established the Mobile Internet Division, took a distinct position as a supplier of

total solutions for local mobile networks, and generated the first earnings in this business area.

The Mobile Internet Division of Axis was established in January with the objective of forging a new infrastructure for wireless broadband services in local unlicensed mobile networks, as a supplement to licensed mobile systems like GSM, GPRS and 3G. One of the company's first *Bluetooth* products, AXIS 9010 Access Point, was approved for use in the Japanese market by Telec, the Japanese government radio communications agency. The company plans to begin commercial delivery of AXIS 9010 in spring 2001. AXIS 9010 is a vital component of infrastructure solutions for mobile access networks that Axis will be introducing in 2001.

Sales trends continued positive during the fiscal year for the Camera Division, with an increase in net sales of 184 percent compared with the corresponding period in the preceding fiscal year. Axis entered into a strategic partnership with Sony in November. The companies have jointly developed the V304 Video Network Station, which will be sold worldwide. The Document Division's cooperation with Canon was intensified, and Axis will become one of Canon's largest vendors of network solutions.

Several structural changes were implemented during the period to promote stronger sales trends, higher profitability and positive cash flows. These included integrating the CD and hard disk server efforts from the former Storage Division into the Document Division. Two new customer-focused units were also created, one with focus on core operations relating to printing and storage solutions and one targeting the OEM market, aimed at better leveraging of Axis' strong position as a network solutions vendor to several leading printer and copier manufacturers. The changes will result in reduced costs and more efficient utilization of marketing resources and sales channels. Axis is also enhancing opportunities for growth by moving away from a product-oriented organization towards greater market orientation.

The Annual General Meeting of 30 August 2000 elected Östen Mäkitalo, D. Eng., to the Board of Directors, further confirming Axis' ambitions in the areas of wireless communication and Mobile Internet. The Annual General Meeting also resolved to change the fiscal year from May-April to January-December.

Netch Technologies, in which Axis has a 50 percent ownership interest, was impacted negatively during the period by the softer market for its products and services. A weak sales trend combined with new investments in the area of mobile services resulted in an operating loss for the company of SEK 75 M during the period. A comprehensive action program has been instituted to adjust operating costs to prevailing market conditions in order to achieve profitability.

Research and development

Axis has intensified its investments in research and development in recent years. Compared with the corresponding period in the preceding fiscal year, research and development expenses increased by 44 percent to SEK 133 M. All research and development expenses are charged against income as they are incurred.

During the period May-December, Axis invested SEK 67 M in development of the new Mobile Internet business area. The investments are a key component of Axis' fourth and most comprehensive phase of renewal and development, which commenced in 1998. Development is being conducted in accordance with the company's fundamental vision of network connectivity for all types of devices and communication, regardless of the underlying network structure and protocol. When the fourth phase is completed in 2001, Axis will have completed major investments in development including a new technical platform for embedded systems based on Linux, integration of unlicensed radio technologies and development of total solutions for local mobile networks.

Several new products were launched during the year, including the AXIS 2120, which is a new network camera with built-in motion detection and high image speed.

Axis cooperates with universities and research centers and participates in technical forums, such as the Universal Plug and Play Forum, Jini Community, Internet Engineering Task Force and Hiperlan/2 Global Forum. In so doing, Axis influences forthcoming technologies, gains important stimuli leading to future product development and is able to apply and develop future technologies in their nascent stages.

Financing

A new issue of 12,500,000 shares was carried out in conjunction with the initial public offering in June. The new issue was carried out at a subscription price of SEK 38 per share and provided the company with a capital infusion of SEK 446 M after issue expenses. As of 31 December 2001, Axis had SEK 281 M at its disposal, including liquid funds of SEK 196 M and a non-utilized binding credit commitment of SEK 85 M. The company is thus entering 2001 with a strong financial position.

Investments

Axis invested an additional SEK 20 M in the American company nBand Communications Inc., which develops advanced circuitry for wireless infrastructure. Axis now owns approximately 11 percent of equity in the company.

Investments in tangible assets during the year amounted to SEK 16 M (SEK 26 M) and investments in intangible assets amounted to SEK 2 M (SEK 4 M).

Incentive program

The Annual General Meeting on 30 August 2000 approved the Board of Directors' recommendation that Axis invite employees of the Axis Group to acquire a total of 344,500 warrants. The call options were issued and transferred to employees during the period.

Ownership structure

As of the end of the fiscal year, share capital in Axis AB was SEK 689,000, divided among 68,900,000 shares with a par value of SEK 0.01. All shares are of the same share class.

Axis AB had 8,226 shareholders as of the end of the fiscal year. As of the same date, the six largest shareholders owned 76 percent of votes and equity.

	Number of shares	Proportion of equity and votes
M. Karlsson, privately and through companies LMK Industri AB	22,167,764	32.2%
G. Kallstrom & Co AB (part of the Skanditek Group)	13,539,765	19.7%
Martin Gren, through company (Grenspecialisten AB)	9,607,471	13.9%
The Fourth AP Pension Fund	2,616,000	3.8%
Dag Tigerschiöld	2,427,600	3.5%
Johan Björkman	2,132,400	3.1%
Other	16,409,000	23.8%
Total	68,900,000	100.0%

Financial performance and position

Net sales during the 8-month period were SEK 494 M (SEK 481 M), equal to growth of 3 percent compared with the corresponding period in the preceding year. There was noteworthy sales growth of 23 percent in the concluding two-month period of November/December 2000 compared with the same period in the preceding year. The results of Axis' third renewal phase, i.e., the product segments started in the years 1995-1997 are becoming increasingly apparent. More than half of all sales during the 8-month period derived from those product areas and sales of Camera products nearly tripled (184 percent). Exchange rate effects had a positive effect on sales of SEK 32 M.

The turn of the millennium had a pervasive and significant affect on the IT industry. For Axis, this resulted in market changes in the more mature product segments within the Document and Storage business areas. A generally weaker market for these products replaced the unusually strong demand that prevailed in 1999. Sharply declining hard disk prices also made Axis CD server products less competitive. The exception was the OEM market, which experienced stable growth and a sales increase of 33 percent during the period.

During the final two months of the fiscal year, profitability was achieved in Axis' operations related to ThinServer products, comprising the Document, Storage, Camera and Technology business areas (see table below). Structural measures in this area are creating the necessary conditions to improve profitability. Exchange rate effects improved operating income by SEK 6 M.

The loss for the fiscal year reflects investments in technology and business development in established business areas and the new Mobile Internet business area (SEK 67 M), and the net operating loss for Netch (SEK 57 M). The net loss for Netch Technologies includes SEK 9.9 M in non-recurring expenses.

Significant events after the end of the fiscal year

In January 2001, Axis reached an agreement with Canon's sales company in Japan concerning three *Bluetooth* products, including the AXIS 9010 access point and a printer server. The initial value of the order is approximately SEK 4 M and is the first volume order within Axis' new business area. The first deliveries should take place in April 2001.

Axis subscribed shares worth SEK 36.6 M in the new issue resolved by the Annual General Meeting of shareholders in Netch Technologies in December 2000. The new issue provided Netch Technologies with a total of SEK 57.6 M in new capital. Axis' share of equity following the purchase was 59 percent. Several other necessary measures designed to achieve profitability during 2001 were taken in parallel with the new issue. The workforce was reduced by 50 percent and the Helsingborg office was closed. The business is being streamlined, with focus on the two core segments of e-business and mobile solutions. Additional costs to implement the action program are expected to encumber first-quarter earnings by SEK 30 M.

	May- July 2000	Aug.- Oct. 2000	Nov.- Dec. 2000	May- Dec. 2000
Operating profit/loss, SEK M				
ThinServer products	-12.1	-5.8	6.4	-11.5
Mobile Internet	-21.4	-20.4	-25.5	-67.3
Group administrative expenses	-11.8	-9.3	-8.2	-29.3
Operating profit/loss Axis	-45.3	-35.5	-27.3	-108.1
Operating profit/loss Netch Technologies	-14.9	-15.1	-26.9	-56.9
Consolidated operating profit/loss	-60.2	-50.6	-54.2	-165.0

Outlook 2001

The pace of development will stabilize in 2001 on the heels of an intensive development phase in 2000, and Axis will enter a phase oriented towards profitability. According to several industry analysts, the market for local mobile networks will be significant, but it is difficult at this juncture to pinpoint when and how fast the market is going to develop. Axis enjoys a strong position as it moves into 2001 and potential in the Camera business area remains good. Opportunities for achieving profitability are being reinforced in core business surrounding printing and storage solutions, as well as in the OEM segment through the creation of two customer-focused units. The company's long-term financial targets, as established in conjunction with the initial public offering, remain unchanged.

The Parent Company

The Parent Company's operations are primarily focused on Group administration. The Parent Company has no employees.

Sales to Group companies were insignificant. There were no purchases from Group companies.

The Parent Company is reporting a loss before tax of SEK 141 M.

Recommended treatment of loss in the Parent Company

The amounts below are at the disposal of the Annual General Meeting:

Retained income	30,568,610 SEK
Operating loss for the year	-140,906,134 SEK
Total, accumulated deficit	-110,337,524 SEK

The Board of Directors and the President recommend that the accumulated deficit be treated so that:

The share premium reserve is reduced against the accumulated deficit by	-110,337,524 SEK
Total	-110,337,524 SEK

No transfers from consolidated non-restricted equity to restricted equity are recommended.

Key ratios for the Group	2000, 8 mos	1999/ 2000	1998/ 1999	1997/ 1998	1996/ 1997
Net sales, SEK M	493.7	695.2	559.8	521.7	393.7
Operating profit/loss after financial items, SEK M	-170.7	-62.3	0.8	11.2	28.1
Total assets, SEK M	627.4	339.9	248.5	244.3	226.9
Equity ratio	62%	8%	34%	36%	35%
Return on total assets	neg	neg	3%	11%	14%
Return on equity	neg	neg	neg	18%	22%
Number of employees at the end of the financial year	581	506	329	285	202

See note 26 on page 34 for definitions of key ratios.

Income statements

SEK 000s	Note	Group			Parent Company	
		8 mos 2000	1999/2000	1998/1999	8 mos 2000	1999/2000
Net sales	2	493,651	695,183	559,789	2,345	3,460
Cost of goods and services sold		-283,356	-323,429	-238,835	-	-
Gross profit/loss		210,295	371,754	320,954	2,345	3,460
Selling costs		-186,648	-239,229	-184,212	-	-
Administrative expenses		-53,483	-62,812	-36,950	-6,065	-4,917
Research and development expenses		-133,065	-144,585	-93,657	-	-
Other operating expenses		-2,139	-7,358	-1,163	-	-
Shares in pretax profit/loss in associated companies		15	-	2,115	-	-
Net operating profit/loss	3, 4	-165,025	-82,230	7,087	-3,720	-1,457
<i>Net profit or loss from financial investments</i>						
Net profit or loss from shares in group companies	5	-	-	-	-103,190	-43,997
Interest income	6	5,440	29,677	1,395	27,397	28,566
Interest expense	7	-11,150	-9,776	-7,668	-61,393	-40,224
Profit/loss after financial items		-170,735	-62,329	814	-140,906	-57,112
Tax on profit/loss for the year	8	35,790	18,942	-2,859	-	-
Minority share in profit/loss for the period		27,091	-8,281	-	-	-
Net profit/loss for the year		-107,854	-51,668	-2,045	-140,906	-57,112

Balance sheets

ASSETS, SEK 000s	Note	Group			Parent Company	
		Dec. 31 2000	Apr. 30 2000	Apr. 30 1999	Dec. 31 2000	Apr. 30 2000
Fixed assets						
<i>Intangible assets</i>						
Intangible assets	9	4,965	4,989	–	–	–
Rights	10	2,032	2,448	3,074	2,032	2,448
Advances for intangible assets	11	–	–	3,790	–	–
Total intangible assets		6,997	7,437	6,864	2,032	2,448
<i>Tangible assets</i>						
Buildings and land	12	8,024	8,193	7,039	–	–
Machinery and equipment	13	36,464	31,702	14,209	–	–
Total tangible assets		44,488	39,895	21,248	–	–
<i>Financial assets</i>						
Equity in subsidiaries	14	–	–	–	2,967	130,299
Equity in associated companies	15	1,165	1,151	1,650	–	–
Other securities held as fixed assets	16	33,861	12,893	–	33,361	12,893
Shares in tenant owners' association	17	676	676	676	–	–
Receivables from associated companies		1,822	–	–	–	–
Long-term receivables	21	71,110	29,072	6,780	–	–
Total financial assets		108,634	43,792	9,106	36,328	143,192
Total fixed assets		160,119	91,124	37,218	38,360	145,640
Current assets						
<i>Inventories</i>						
Goods for resale		60,119	69,887	77,587	–	–
Total inventories		60,119	69,887	77,587	–	–
<i>Receivables</i>						
Accounts receivable		137,960	131,996	102,277	–	–
Tax receivables		2,538	5,252	–	–	5,548
Receivable from Group companies		–	–	–	382,800	179,205
Other receivables		30,764	3,538	21,276	–	–
Prepaid expenses and accrued income		39,945	25,732	10,151	4,352	1,141
Total receivables		211,207	166,518	133,704	387,152	185,894
<i>Cash and bank deposits</i>						
Cash and bank deposits		195,993	12,419	–	22,666	–
Total cash and bank deposits		195,993	12,419	–	22,666	–
Total current assets		467,319	248,824	211,291	409,818	185,894
TOTAL ASSETS		627,438	339,948	248,509	448,178	331,534

EQUITY AND LIABILITIES, SEK 000s	Note	Group			Parent Company	
		Dec. 31 2000	Apr. 30 2000	Apr. 30 1999	Dec. 31 2000	Apr. 30 2000
Equity	18, 19					
<i>Restricted equity</i>						
Share capital		689	564	564	689	564
Restricted reserves		559,322	44,045	31,782	459,616	2,449
Total restricted equity		560,011	44,609	32,346	460,305	3,013
<i>Accumulated deficit/Non-restricted equity</i>						
Non-restricted reserves		-72,418	34,199	54,710	30,569	87,681
Profit/loss for the year		-107,854	-51,668	-2,046	-140,906	-57,112
Total accumulated deficit/non-restricted equity		-180,272	-17,469	52,664	-110,337	30,569
Total equity		379,739	27,140	85,010	349,968	33,582
Minority share of equity		12,125	9,905	-	-	-
Untaxed reserves						
Tax allocation reserve	20	-	-	-	39,038	39,038
Total untaxed reserves		-	-	-	39,038	39,038
<i>Provisions</i>						
Provisions for taxes	21	11,468	11,704	11,342	-	-
Other provisions		3,707	549	-	-	-
Total provisions		15,175	12,253	11,342	-	-
Liabilities						
<i>Long-term liabilities</i>						
Bank overdraft facility	22	-	-	468	-	138,544
Other liabilities to credit institutions, interest grant		51,363	162,822	79,245	50,000	115,000
Total long-term liabilities		51,363	162,822	79,713	50,000	253,544
<i>Current liabilities</i>						
Accounts payable		105,676	72,355	35,322	-	-
Tax liabilities		-	-	133	-	-
Liabilities to Group companies		-	-	-	8,001	-
Other liabilities		10,658	1,295	12,452	78	24
Accrued expenses and deferred income	23	52,702	54,178	24,537	1,093	5,346
Total current liabilities		169,036	127,828	72,444	9,172	5,370
Total liabilities		220,399	290,650	152,157	59,172	258,914
TOTAL EQUITY AND LIABILITIES		627,438	339,948	248,509	448,178	331,534
MEMORANDUM ITEMS						
<i>Pledged assets</i>	25	10,000	17,583	NONE	NONE	2,225
<i>Contingent liabilities</i>	24	NONE	NONE	NONE	33,363	45,998

Cash flow statements

SEK 000s	Group			Parent Company	
	8 months 2000	1999/2000	1998/1999	8 months 2000	1999/2000
Current operations					
Operating profit/loss before financial items	-165,025	-82,230	7,087	-3,720	-1,457
Depreciation and amortization	13,344	13,030	8,110	416	626
Other items not affecting liquidity	3,507	-	-	-	-
	-148,174	-69,200	15,197	-3,304	-831
Financial income received	5,440	708	1,395	9,645	20,564
Group contribution received	-	-	-	-	18
Group contribution paid	-	-	-	-103,190	-44,015
Financial expense paid	-6,806	-8,415	-6,794	-11,045	-15,332
Tax paid	1,917	-14,217	-6,856	5,548	-4,727
	551	-21,924	-12,255	-99,042	43,492
Change in inventories	9,768	7,700	3,935	-	-
Change in accounts receivable	-5,650	-25,832	113	-	-
Change in other current receivables	-25,125	9,938	-13,921	-265,999	-42,394
Change in accounts payable	33,635	34,081	-7,824	-	-
Change in other current operating liabilities	21,002	15,529	6,194	3,802	-6,929
	33,630	41,416	-11,503	-262,197	-49,323
Cash flow from current operating activities	-113,993	-49,708	-8,561	-364,543	-93,646
Investing activities					
Investments in intangible assets	-1,933	-4,127	-6,916	-	-
Investments in tangible assets	-15,567	-25,507	-4,919	-	-
Sale of tangible assets	3	-	-	-	-
Investments in associated companies	-	-1,151	-1,150	-	-
Investments in subsidiaries	-	-523	-	-	-
Placements in other financial assets	-20,968	-12,893	-	-20,768	-137,029
Sale of other financial assets	-	-	-	119,286	-
Change in short-term financial investments	-	-	-	17,752	8,002
Profit/loss upon sale of equity in subsidiaries	-	28,969	-	-	-
Cash flow from investing activities	-38,465	-15,232	-12,985	116,270	-129,027
Financing activities					
Share premium upon issue of debt instruments	6,315	1,425	-	11,772	1,425
New issue	445,520	-	-	445,520	-
Change in long-term liabilities	-111,459	77,763	11,750	-65,000	60,000
Exchange rate differences	-4,344	-1,361	-875	-42,002	-24,892
Group contribution received/paid	-	-	-	59,193	60,881
Cash flow from financing activities	336,032	77,827	10,875	409,483	97,414
CASH FLOW FOR THE YEAR	183,574	12,887	-10,671	161,210	-125,259
Liquid funds at the beginning of the year	12,419	-468	10,203	-138,544	-13,285
Change in liquid funds	183,574	12,887	-10,671	161,210	-125,259
Liquid funds at the end of the year	195,993	12,419	-468	22,666	-138,544

Notes

If not stated otherwise, all amounts are reported in SEK thousands.

Note 1 Accounting principles

The annual report and consolidated financial statements were prepared in accordance with the Swedish Annual Accounts Act and generally accepted accounting principles in Sweden, particularly with respect to the recommendations and opinions of the Swedish Financial Accounting Standards Council and the listing agreement with the Stockholm Exchange. The accounting principles are unchanged from the preceding year, except for reporting of income taxes, where the Group has elected an earlier application of the Financial Standards Accounting Council Recommendation 9. The Financial Accounting Standards Council encourages such earlier application.

Consolidated financial statements

The consolidated financial statements include the Parent Company and the companies in which the Parent Company, directly or indirectly, controls more than 50 percent of votes as of the end of the fiscal year. Companies acquired during the year are included in the consolidated income statement with values commencing on the date of acquisition.

The consolidated accounts were prepared using the acquisition method, by which the acquisition value of shares in subsidiaries are eliminated against each subsidiary's equity as of date of acquisition. Equity is determined on a market appraisal of assets, provisions and liabilities as of the date of acquisition. To the extent there are untaxed reserves in acquired companies, a provision is made for deferred tax on such reserves, based on the tax rate in effect in the company's country of domicile. This tax is reported among provisions for taxes.

If the acquisition value of the shares in subsidiaries exceeds the value of acquired equity computed as described above, the difference is attributed to goodwill, which is amortized over its estimated useful life. Should the acquisition value of the shares be less than acquired equity, the monetary assets of the acquired company are reduced by the difference. Companies acquired during the year are included in the consolidated financial statements as of the date they are acquired.

Companies sold during the year are included in the consolidated financial statements until the date of sale.

Translation of foreign subsidiaries

All foreign subsidiaries within the Axis Group have been classified as integrated foreign business entities. Accordingly, the monetary/non-monetary method is applied for the translation of the financial statements of foreign subsidiaries. This means that the monetary assets and liabilities of foreign subsidiaries are translated at the closing day rate, while non-monetary assets are translated at the historical rate. All income statement items are translated at the average rate for the year. Translation differences are reported in the net profit or loss from financial investments.

When the Parent Company or another Group company in the Axis Group employs hedging in order to capitalize and shield against exchange rate differences on net investments in a subsidiary, the exchange difference on the hedging instrument is recorded directly against income from financial investments to the extent that it relates to a corresponding translation difference recorded during the year for the subsidiary.

Tax effects are taken into account upon unequal valuation of assets and liabilities at the Group or company level, which are reported as long-term or deferred tax liability. However, deferred tax on consolidated positive or negative goodwill is not taken into account.

Minority interest

The minority interest in net profit/loss for the year and equity is based on the financial statements for the subsidiary prepared in accordance with Group accounting principles.

Associated companies

Associated companies are companies that are not subsidiaries, but for which the Parent Company, directly or indirectly, controls between 20 and 50 percent of the votes for all Shares. Shares in associated companies are reported using the equity method.

According to the equity method, shares in the net profits or loss in associated companies is included in pretax profits or loss. If the acquisition value of shares in associated companies was higher than the proportion of equity in the acquired company as of the date of acquisition, the difference is treated as goodwill. The share of the associated company's taxes is included in the Group's tax expense. Holdings in associated companies are reported on the consolidated balance sheet at acquisition value, adjusted for contributions, dividends and share in net profits or loss following the acquisition.

Receivables and liabilities in foreign currency

Current receivables and liabilities in foreign currency are translated at the year-end rate. Exchange rate differences are included in other operating revenues, except for exchange rate differences on liquid funds, which are reported in net financial income and expense.

"Hedge reporting" is applied to hedging of future currency flows. The net profit or loss from hedging transactions is reported on the income statement for the same period as the underlying flows.

Inventories

Goods for resale are valued at the lower of cost or market value as of closing day, with the FIFO principle applied. Internal gains upon transactions between Group companies are eliminated.

Receivables

Receivables are reported in the amounts at which they are expected to be paid.

Research and development expenditures

Research and development expenditures are charged against income in the year they are incurred.

Income reporting

Net sales are reported upon delivery of the goods and acceptance by the customer. Sales are reported after deductions for sales taxes and discounts, and after elimination of intragroup sales.

Planned depreciation and amortization

Planned depreciation and amortization are computed based on the original acquisition value less assessed residual value and based on the estimated useful life of the asset, in accordance with the following:

Software	3 years
Rights	5 years
Machinery and equipment	3–10 years
Land improvements	5 years

Income taxes

The year's tax expense is computed according to each country's tax regulations and the reported net profit or loss for the year. Remaining tax to be paid is reported under tax liability.

A provision for deferred tax is made on untaxed reserves at the prevailing tax rate for each country. Deferred tax claims on fiscal deficits are computed and recorded as deferred tax income on the income statement and as a long-term liability on the balance sheet. Deferred tax liability on fiscal deficits is reported in accordance with the company's election to apply the Swedish Financial Accounting Standards Council Recommendation 9. The application entails a change in accounting principles compared with preceding annual reports and interim reports. Preceding years and opening balances were adjusted in accordance with the recommendation.

Note 2 Net sales distributed by business area and geographical market

Net sales per business area:

	Group		
	00, 8 months	99/00	98/99
Document Division	241,485	395,903	357,276
Camera Division	136,912	94,702	48,127
Storage Division	48,009	128,302	139,449
Technology Division	1,634	–	–
Other	21,597	15,573	14,937
	449,637	634,480	559,789
Mobile Internet Division	1,170	–	–
Netch Technologies	42,844	60,703	–
Total	493,651	695,183	559,789

Net sales per geographical market:

	Group		
	00, 8 months	99/00	98/99
EMEA (Europe, Middle East and Africa)	250,735	385,473	311,545
Asia	108,659	113,652	74,372
North and South America	134,257	196,058	173,872
Total	493,651	695,183	559,789

Note 3 Personnel

The average number of employees and their distribution by sex during the year was:

	Women			Men			Total		
	00, 8 months	99/00	98/99	00, 8 months	99/00	98/99	00, 8 months	99/00	98/99
Parent Company	–	–	–	–	–	–	–	–	–
France	6	4	2	9	7	4	15	11	6
Hong Kong & China	3	7	7	3	9	10	6	16	17
Japan	7	6	5	11	10	8	18	16	13
Netherlands	1	–	–	2	–	–	3	–	–
Singapore, Korea, Malaysia and Australia	9	4	3	13	6	4	22	10	7
Spain and Italy	2	1	0	5	4	0	7	5	–
Great Britain	2	2	1	7	5	3	9	7	4
Sweden	81	61	35	322	237	165	403	298	200
Germany	2	3	1	12	8	4	14	11	5
USA	16	21	14	27	50	47	43	71	61
Group total	129	109	68	411	336	245	540	445	313

Wages, salaries and other remuneration paid during the year amounted to:

	Board of Directors & President			Other			Total		
	00, 8 months	99/00	98/99	00, 8 months	99/00	98/99	00, 8 months	99/00	98/99
Parent Company	–	–	–	–	–	–	–	–	–
France	–	–	–	3,608	3,873	2,787	3,608	3,873	2,787
Hong Kong & China	–	–	–	1,318	2,369	2,838	1,318	2,369	2,838
Japan	–	–	–	8,362	8,857	5,951	8,362	8,857	5,951
Netherlands	–	–	–	693	–	–	693	–	–
Singapore, Korea, Malaysia and Australia	–	–	–	4,532	4,240	2,864	4,532	4,240	2,864
Spain and Italy	–	–	–	983	895	–	983	895	–
Great Britain	–	–	–	4,248	4,960	1,860	4,248	4,960	1,860
Sweden	2,212	2,426	1,832	106,519	90,139	57,124	108,731	92,565	58,956
Germany	–	–	–	3,933	4,807	3,822	3,933	4,807	3,822
USA	–	–	–	20,843	47,602	38,840	20,843	47,602	38,840
Group total	2,212	2,426	1,832	155,039	167,742	116,086	157,251	170,168	117,918

	Wages, salaries and other remuneration			Employer's contributions to social security and other benefits			(thereof pension expense)		
	00, 8 months	99/00	98/99	00, 8 months	99/00	98/99	00, 8 months	99/00	98/99
Parent Company	–	–	–	–	–	–	–	–	–
Subsidiaries	157,251	170,168	117,918	51,910	49,358	30,791	8,881	5,448	3,397
Group total	157,251	170,168	117,918	51,910	49,358	30,791	8,881	5,448	3,397

Wages, salaries and other remuneration to the Board of Directors and the President were paid through the subsidiary Axis Communications AB.

Of the Group's total pension expense, 277 (511) refers to the President of the Group. Pension expense for all employees who sit on the Board of Directors amounted to 297 (374). No pension benefits in addition to the normal pension plan are paid to senior executives.

Wages, salaries and other benefits paid to the Board of Directors and senior executives encumbered net income for the year by 2,212 (4,556), as set out below.

Board of Directors

	Group		
	00, 8 months	99/00	98/99
Remuneration to the Board of Directors	325	325	325
Wages, salaries and other remuneration	954	1,469	1,495
Total	1,279	1,794	1,820

Wages, salaries and other remuneration refers to Mikael Karlsson and Martin Gren, who are both employees of the Group. A mutual period of notice of six months is required with respect to termination or resignation of the Chairman of the Board's employment. If his employment is terminated at the request of the company, he shall be entitled to severance pay of 832.

Some directors are included in the Group's warrants program on equal terms to other employees.

Executive management

Wages, salaries and other remuneration paid to the President encumbered net income for the year by 933 (2,762).

A mutual period of notice of six months is required with respect to termination or resignation of the President's employment. The President is paid annual salary of 1,400. If his employment is terminated at the request of the company, he shall be entitled to severance pay of 1,400.

Note 4 Audit fees

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Audit fees paid to Öhrlings PricewaterhouseCoopers		470			–
Other fees paid to Öhrlings PricewaterhouseCoopers		1,477			–
Audit fees paid to other auditors		485			–
Total		2,432			–

Audit fees and other fees paid to the Parent Company's auditors were charged entirely to the subsidiary Axis Communications AB.

Note 5 Net profit/loss from shares in Group companies

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Group contribution received				–	18
Write-down of shares in subsidiaries due to group contribution paid				–103,190	–44,015
Total				–103,190	–43,997

Note 6 Interest income and similar income items

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Interest income	5,440	708	1,395	9,645	20,564
Capital gain upon sale of shares in subsidiaries	–	28,969	–	–	–
Exchange rate differences	–	–	–	17,752	8,002
Total	5,440	29,677	1,395	27,397	28,566

Note 7 Interest expense and similar loss items

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Interest expense	–5,704	–7,902	–6,431	–10,605	–15,013
Exchange rate differences	–4,344	–1,361	–875	–42,002	–24,892
Write-downs of shares in subsidiaries	–	–	–	–8,346	–
Other financial expenses	–1,102	–513	–363	–440	–319
Total	–11,105	–9,776	–7,669	–61,393	–40,224

Note 8 Tax on profit/loss for the year

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Current tax	–797	–1,726	–3,870	–	–
Deferred tax*	36,587	20,668	1,011	–	–
Total	35,790	18,942	–2,859	–	–

* Of total deferred tax, 35,336 (23,055) refers to tax on unutilized loss deductions.

Note 9 Intangible assets

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Acquisition value, beginning of year	6,407	–	–	–	–
Acquisitions during the year	1,933	4,127	–	–	–
Acquisitions of companies	–	510	–	–	–
Transfer from advances	–	3,790	–	–	–
Reclassification to machinery and equipment	–	–2,020	–	–	–
Acquisition value, end of year	8,340	6,407	–	–	–
Accumulated scheduled amortization, beginning of year	–1,418	–	–	–	–
Scheduled amortization for the year	–1,957	–1,223	–	–	–
Acquisitions of companies	–	–195	–	–	–
Accumulated scheduled amortization, end of year	–3,375	–1,418	–	–	–
Planned residual value at the end of the year	4,965	4,989	–	–	–

Note 10 Rights

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Acquisition value, beginning of year	3,126	3,126	–	3,126	3,126
Acquisitions during the year	–	–	3,126	–	–
Acquisition value, end of year	3,126	3,126	3,126	3,126	3,126
Accumulated scheduled amortization, beginning of year	–678	–52	–	–678	–52
Scheduled amortization for the year	–416	–626	–52	–416	–626
Accumulated scheduled amortization, end of year	–1,094	–678	–52	–1,094	–678
Planned residual value at the end of the year	2,032	2,448	3,074	–2,032	2,448

Note 11 Advances for intangible assets

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Acquisition value, beginning of year	–	3,790	–	–	–
Acquisitions during the year	–	–	3,790	–	–
Transfer to intangible assets	–	–3,790	–	–	–
Acquisition value, end of year	–	–	3,790	–	–

Note 12 Buildings, land and land improvements

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Acquisition value, beginning of year	8,306	7,039	6,835	–	–
Acquisitions during the year	–	1,267	204	–	–
Acquisition value, end of year	8,306	8,306	7,039	–	–
Accumulated scheduled depreciation, beginning of year	–113	–	–	–	–
Scheduled depreciation for the year	–169	–113	–	–	–
Accumulated scheduled depreciation, end of year	–282	–113	–	–	–
Planned residual value at the end of the year	8,024	8,193	7,039	–	–
Assessed values, Sweden	3,769	3,769	1,507	–	–

Note 13 Equipment

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Acquisition value, balance at beginning of year	79,476	49,825	45,110	–	–
Acquisitions during the year	15,567	24,240	4,715	–	–
Sales and discards for the year	–1,741	–	–	–	–
Acquisitions of companies	–	3,391	–	–	–
Reclassification from intangible assets	–	2,020	–	–	–
Acquisition value, end of year	93,302	79,476	49,825	–	–
Accumulated scheduled depreciation, beginning of year	–47,774	–35,616	–27,558	–	–
Scheduled depreciation for the year	–10,802	–11,068	–8,058	–	–
Sales and discards for the year	1,738	–	–	–	–
Acquisitions of companies	–	–1,090	–	–	–
Accumulated scheduled depreciation, end of year	–56,838	–47,774	–35,616	–	–
Planned residual value at the end of the year	36,464	31,702	14,209	–	–

Note 14 Shares in subsidiaries

	Number of shares	Share (equity)	Share (votes)	Nominal value	Book value	
					00.12.31	00.04.30
<i>Lund, Sweden</i>						
Axis Communications AB	1,600	100%	100%	160	342	342
Gren&Karlsson Firmware AB	500	100%	100%	100	50	50
Axis Technologies AB	500	100%	100%	100	50	50
Axis Alfa AB	500	100%	100%	100	100	–
Axis Beta AB	500	100%	100%	100	100	–
Axis Gamma AB	1,000	100%	100%	100	100	–
Netch Technologies AB*	18,000,000	50%	50%	1,677	2,225	2,225
<i>Paris, France</i>						
Axis Communications SA	–	–	–	–	–	320
<i>London, England</i>						
Axis Communications (UK) Ltd	–	–	–	–	–	376
<i>Munich, Germany</i>						
Axis Communications GmbH	–	–	–	–	–	223
<i>Boston, USA</i>						
Axis Communications Inc	–	–	–	–	–	123,330
<i>Tokyo, Japan</i>						
Axis Communications KK	–	–	–	–	–	762
<i>Hong Kong, China</i>						
Axis Communications Ltd	–	–	–	–	–	1,744
<i>Singapore</i>						
Axis Communications (S) Pte Ltd	–	–	–	–	–	677
<i>São Paulo, Brazil</i>						
Axis Communications Ltda	–	–	–	–	–	67
<i>Madrid, Spain</i>						
Axernet Communications SA	–	–	–	–	–	133
Total book value					2,967	130,299

* The company's holdings total 50.00001 percent. The reported figure reflects the situation prior to the new issue in progress.

Note 14 cont.

Corporate registration number and registered office of subsidiaries:

	Corporate registration number	Registered office
Axis Communications AB	556253 – 6143	Lund
Axis Network AB	556505 – 3450	Lund
Axis Peripherals AB	556505 – 1785	Lund
Axis Technologies AB	556485 – 0765	Lund
Axis Alfa AB	556599 – 4547	Lund
Axis Beta AB	556599 – 4588	Lund
Axis Gamma AB	556599 – 4562	Lund
Gren&Karlsson Firmware AB	556304 – 6209	Lund
Netch Technologies AB	556505 – 1801	Lund

Note 15 Shares in associated companies

	Share (capital)	Share (votes)	Number of shares	Book value				
				Group			Parent Company	
				00.12.31	00.04.30	99.04.30	00.12.31	00.04.30
Basset A/S	49%	49%	245,000	1,165	1,151	–	–	–
Total				1,165	1,151	–	–	–

Note 16 Other securities held as fixed assets

	Share (capital)	Share (votes)	Number of shares	Book value				
				Group			Parent Company	
				00.12.31	00.04.30	99.04.30	00.12.31	00.04.30
nBand Communications Inc.	11%	11%	3,507,198	32,898	12,893	–	32,898	12,893
Phoobah Inc.	3%	3%	100	463	–	–	463	–
EZ Travel AB	10%	10%	99	500	–	–	–	–
Total				33,861	12,893	–	33,361	12,893

Note 17 Shares in tenant owners' association

	Group		
	00, 8 months	99/00	98/99
Acquisition value at beginning and end of year	676	676	676

Note 18 Change in equity

Group	Share capital	Restricted reserves	Non-restricted reserves	Profit/loss for the year	Total equity
Balance, beginning of year	564	44,045	–17,469	–	27,140
New share issue*	125	453,649	–	–	453,774
Transfers between restricted and non-restricted equity	–	55,313	–55,313	–	–
Share premium upon issuance of debt instruments with attached warrants	–	6,315	–	–	6,315
Change in Group structure	–	–	364	–	364
Profit/loss for the year	–	–	–	–107,854	–107,854
Balance, end of year	689	559,322	–72,814	–107,854	379,739

*Specification of new issue settlement:

Paid-in capital	475,000
Issue expenses	–29,480
Deferred tax on issue expenses	8,254
	453,774

Group	Share capital	Statutory reserve	Share premium reserve	Retained income	Profit/loss for the year	Total equity
Balance, beginning of year	564	1,024	1,425	30,569	–	33,582
New issue	125	–	445,395	–	–	445,520
Share premium upon issuance of debt instruments with attached warrants	–	–	11,772	–	–	11,772
Profit/loss for the year	–	–	–	–	–140,906	–140,906
Balance, end of year	689	1,024	458,592	30,569	–140,906	349,968

Note 19 Equity

Axis AB presently has one outstanding warrants program that covers employees. The program was introduced in 1999 and directed at all employees of the Axis Group. The objective of the program is to stimulate long-term commitment among employees to the development of the Group's operations and profits. Employees in the United States are offered stock options.

All permanent employees in EMEA and Asia are eligible to participate in the program. Permanent employees in the American subsidiary are eligible to participate in a separate stock options program. The latter is directed only towards employees in the United States. In addition to the number of warrants offered to all permanent employees, senior executives are invited to acquire a limited additional number of warrants.

The terms of the American program are such that an option may be exercised upon the new issue of shares occurring after the day the option was acquired by the employee. Options are allotted after three years for the program from 1999 and mature in five years. Under the program from 2000, options are allotted on four occasions over a period of two years, with 25 percent on each occasion. The term of the program is ten years.

The subscription price per share corresponds to 130 percent of the average, for every trading day, of the volume-weighted average of the prices noted during the day according to the Stockholm Exchange official price list for shares in the company computed over a period of five trading days.

The table below shows the conditions and effects on equity of the warrants program upon full exercise of all warrants.

Beneficiary	Maturity date	Subscription price	Number of warrants	Number of shares	Dilution
Personnel in Europe and Asia	Oct. 1, 2004	19.50	430,000	430,000	0.60%
Personnel in Europe and Asia	Sep. 30, 2005	54.00	1,128,000	1,128,000	1.60%
Personnel in Europe and Asia	Sep. 30, 2005	63.00	172,250	172,250	0.30%
Personnel in the United States	Oct. 1, 2004	19.50	140,000	140,000	0.20%
Personnel in the United States	Sep. 30, 2010	48.00	172,250	172,250	0.30%
Total			2,042,500	2,042,500	3.00%

Note 20 Untaxed reserves

	Parent Company	
	00, 8 months	99/00
Tax allocation reserve, 1996 tax year	10,488	10,488
Tax allocation reserve, 1997 tax year	9,112	9,112
Tax allocation reserve, 1998 tax year	14,403	14,403
Tax allocation reserve, 1999 tax year	2,767	2,767
Tax allocation reserve, 2000 tax year	2,268	2,268
Total untaxed reserves	39,038	39,038

Note 21 Provision for taxes

Group

Deferred tax liability in the Group amounts to 11,462 (11,704) and is reported under provisions. Of the Group's deferred tax liability, 11,462 (11,704) refers to tax on untaxed reserves.

The Group's deferred prepaid tax amounts to 70,268 (28,360) and is reported under long-term receivables. Of the Group's deferred prepaid tax, 66,645 (23,055) refers to tax on unutilized loss deductions.

Parent Company

Deferred tax on reported untaxed reserves amounts to 10,931.

Note 22 Long-term liabilities

All Group and Parent Company long-term liabilities will mature within 1 to 5 years.

Note 23 Accrued expenses and deferred income

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Accrued payroll expense	21,383	17,186	11,074		–
Accrued employer's contributions	14,718	10,273	6,241		–
Other accrued expenses	16,601	26,719	7,222	1,093	5,346
Total	52,702	54,178	24,537	1,093	5,346

Note 24 Contingent liabilities

	Parent Company	
	00, 8 months	99/00
Contingent liabilities to the benefit of other Group companies	25,571	45,998
Secured portion in addition to pro rate portion in the ongoing new issue in Netch Technologies AB	7,792	–
Total	33,363	45,998

Note 25 Pledged assets

	Group			Parent Company	
	00, 8 months	99/00	98/99	00, 8 months	99/00
Lien on assets in Netch Technologies AB	10,000	–	–	–	–
Pledged shares in Netch Technologies AB	–	17,583	–	–	2,225
Total	10,000	17,583	–	–	2,225

Note 26 Definitions of key ratios

Equity ratio

Equity, including minority interest, as a percentage of total assets.

Return on total assets

Operating profit/loss after financial items plus financial expenses divided by average total assets.

Return on equity

Operating profit/loss after financial items less full tax divided by average equity.

Lund, February 12, 2001



Mikael Karlsson

Chairman



Peter Ragnarsson

President



Dag Tigerschiöld



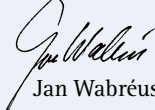
Johan Björkman



Nils Rydbeck



Martin Gren



Jan Wabréus



Östen Mäkitalo

Audit report

To the general meeting of the shareholders of Axis AB
Corporate identity number 556241-1065

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of Axis AB for the financial year May 1, 2000 – December 31, 2000. These accounts and the administration of the company are the responsibility of the board of directors and the president. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the president, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president. We also examined whether any board member or the president has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the president be discharged from liability for the financial year.

Lund, February 12, 2001

Öhrlings PricewaterhouseCoopers AB

Anders Lundin

Authorized Public Accountant

Board of Directors and Auditors



Mikael Karlsson



Dag Tigerschiöld



Martin Gren



Johan Björkman



Jan Wabréus



Nils Rydbeck



Östen Mäkitalo

Board of Directors

Mikael Karlsson, born 1962

Board Chairman

Board Chairman of IT-Öresund. Vice Chairman Institute for Economic Research at University of Lund and the Technology Bridge Foundation Lund. Board member in Beijer Electronics AB, Ruben Rausing Fund, SEB in Lund and Visionalis AB. Member of the Royal Academy of Engineering Science and the Advisory Council at the Lund College of Economics. Member of the Board since 1984. President 1984–1999. Chairman since 2000. Shares in Axis: 22,167,764¹⁾
Warrants in Axis: 0

Dag Tigerschiöld, born 1942

Vice Chairman

Board Chairman of LGP Telecom Holding AB, Mydata Automation AB and Vellinge Electronics AB. Board member in Skanditek Industriförvaltning AB, Industriförvaltnings AB Kinnevik, Korsnäs AB and Investment AB Öresund. Member of the Board since 1986. Chairman 1994–1999. Shares in Axis: 2,427,600
Warrants in Axis: 0

Martin Gren, born 1962

Board Chairman of Itact AB. Board member in Switchcore AB, Netch Technologies AB and Innolite. Member of the Board since 1984. Shares in Axis: 9,607,471²⁾
Warrants in Axis: 0.

Johan Björkman, born 1944

Board Chairman of Third AP Fund, Skanditek Industriförvaltning AB, LjungbergGruppen AB and Nordstjernan AB. Board member in, among others, BZ Gruppe Holding AG, Korsnäs AB, Invik AB and AB Persson Invest. Member of the Board since 1995. Shares in Axis: 2,132,400
Warrants in Axis: 1,000

Jan Wabréus, born 1941

President of Timelox AB and head of subsidiaries in Assa Abloy AB. Member of the Board since 1985. Chairman 1985–1994. Shares in Axis: 0
Warrants in Axis: 3,000

Nils Rydbeck, born 1946

Senior Vice President Corporate Technology, LM Ericsson. Board member in Anoto AB and Ctech AB. Member of Advisory Committee School of Management North Carolina State University. Member of the Board since 1997. Shares in Axis: 0
Warrants in Axis: 3,000

Östen Mäkitalo, born 1938

Strategy Director, Telia Mobile AB. Board member in Global Cast (Telia company), Aaro Systems AB, isMobile AB (Telia part-owner), Goyada AB and Foreveryneed AB. Member of the Board since 2000. Shares in Axis: 0
Warrants in Axis: 0

Auditors

Öhrlings PricewaterhouseCoopers

Senior Auditor

Anders Lundin, born 1956
Authorized Public Accountant
Assignment in Axis since 1996.

Deputy auditor

Gustav Jönsson, born 1950
Authorized Public Accountant
Assignment in Axis since 1984.

Board work procedures

The Board of Directors of Axis comprises seven member elected by General Meetings of the shareholders. During the abbreviated fiscal year 2000, the Board held ten meetings. The Board's work is in line with an annual agenda and is affected otherwise by the specific work procedure established for the Board regarding work distribution between the Board and the President.

¹⁾ Privately and through LMK Industri AB.

²⁾ Through AB Grens specialisten.

Senior Executives



Torbjörn Wård, Mikael Nilsson,
Anders Laurin and Johan Lembre.



Bengt-Arne Molin, Kenneth Jonsson,
Anne Rhenman and Per Ädelroth.



Ray Mauritsson, Charlotta Falvin, Jonas Hansson and Peter Ragnarsson.

Peter Ragnarsson, born 1963
President and Chief Executive Officer
Employed within Axis since 1995.
Shares in Axis: 10,750
Warrants in Axis: 164,000

Charlotta Falvin, born 1966
Senior Vice President
Employed within Axis since 1994.
Shares in Axis: 10,750
Warrants in Axis: 20,600

Jörgen Lindquist, born 1965
Chief Financial Officer
Employed within Axis since 2000.
Shares in Axis: 3,000
Warrants in Axis: 0

Division managers

Anders Laurin, born 1960
Head of Camera Division
Employed within Axis since 1997.
Shares in Axis: 1,350
Warrants in Axis: 41,000

Ray Mauritsson, born 1962
Head of Technology Division
Employed within Axis since 1995.
Shares in Axis: 11,000
Warrants in Axis: 18,000

Torbjörn Wård, born 1965
Head of Mobile Internet Division
Employed within Axis since 2000.
Shares in Axis: 750
Warrants in Axis: 40,750

Johan Lembre, born 1966
Head of Office Connectivity OEM
Employed within Axis since 1999.
Shares in Axis: 750
Warrants in Axis: 5,000

Bodil Sonesson, born 1968
Head of Network Office Division
Employed within Axis since 1996.
Shares in Axis: 750
Warrants in Axis: 26,000

Per Ädelroth, born 1966
Operational Manager of Network Office Division
Employed within Axis since 1994.
Shares in Axis: 10,750
Warrants in Axis: 26,000

Group staff managers

Bengt-Arne Molin, born 1958
Head of Research and Core Technology
Employed within Axis since 1999.
Shares in Axis: 750
Warrants in Axis: 4,800

Mikael Nilsson, born 1951
Head of Corporate Strategy
Employed within Axis since 2000.
Shares in Axis: 0
Warrants in Axis: 40,400

Bengt Christensson, born 1960
Head of Strategic Alliances
Employed within Axis since 1986.
Shares in Axis: 140,750
Warrants in Axis: 60,000

Jonas Hansson, born 1967
Head of e-Business
Employed within Axis since 2000.
Shares in Axis: 2,350
Warrants in Axis: 0

Anne Rhenman, born 1957
Head of Corporate Communications and Investor Relations
Employed within Axis since 2000.
Shares in Axis: 500
Warrants in Axis: 1,000

Kenneth Jonsson, born 1960
Operational Manager of Research and Core Technology
Employed within Axis since 1985.
Shares in Axis: 10,750
Warrants in Axis: 5,000

Brigitte Salmi, born 1959
Head of Brand Management
Employed within Axis since 1996.
Shares in Axis: 750
Warrants in Axis: 3,000

Kerstin Thulin, born 1948
Head of Human Resources
Employed within Axis since 2001.
Shares in Axis: 0
Warrants in Axis: 0

The Axis share

Axis on the stock exchange

Axis was listed on the Stockholm Exchange O-List on June 27, 2000. The new issue in conjunction with the listing of the company generated proceeds of SEK 446 M, after deduction for issue costs. The listing price was SEK 38.00 per share and a total of 7,575 shareholders were added, who combined accounted for 21 percent of the capital and votes. During the first six months after listing, a total of 19,486,424 shares were traded at a total value of about SEK 760 M. The share was traded on all trading days on the exchange, with an average of 147,624 shares at a value of SEK 5.8 M per trading day. The rate of turnover during the year was 28 percent.

The Axis share price fell 54 percent during the year, from the listing price of SEK 38 to SEK 17.50 at year-end. The Stockholm Exchange General Index fell 17 percent during the same period. Axis' share price at year-end corresponded to a market capitalization of SEK 1,206 M.

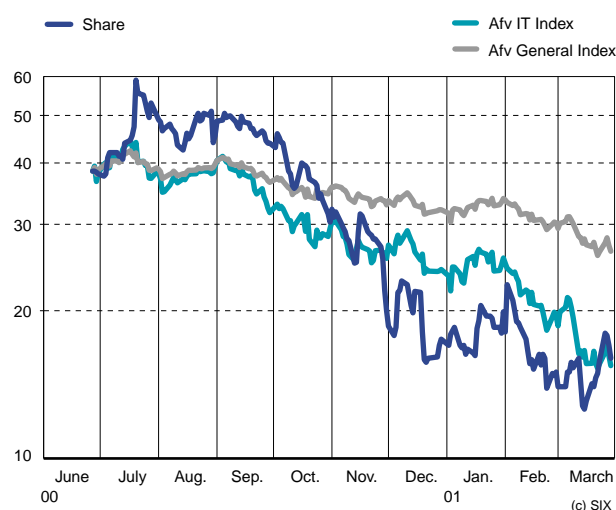
Share capital

After listing, the share capital amounts to SEK 689,000, distributed among 68,900,000 shares, each with a par value of SEK 0.01. Share capital was increased by SEK 125,000 through the new issue of 12,500,000 shares.

Share capital distribution

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

PRICE TREND



Ownership

The number of shareholders at December 29, 2000 was 8,226. Institutional owners with holdings exceeding 50,000 shares accounted for 17 percent of the total share capital, excluding the main owners. The percentage of foreign owners is 2 percent.

The main owners and certain senior executives have undertaken not to, directly or indirectly, during the period from the first listing day until June 7, 2001, transfer their shares or warrants in Axis without the written approval of Enskilda Securities.

Axis' ownership structure is shown in the table below as of December 29, 2000.

	No. of shares	Percentage of capital and votes
M Karlsson, private and through companies (LMK Industri AB)	22,167,764	32.2%
G Kallstrom & Co AB (part of Skanditek Group)	13,539,765	19.7%
Martin Gren, through companies (Grens specialisten AB)	9,607,471	13.9%
Fourth AP Fund	2,616,000	3.8%
Dag Tigerschiöld	2,427,600	3.5%
Johan Björkman	2,132,400	3.1%
Others	16,409,000	23.8%
Total	68,900,000	100.0%

Dividend and dividend policy

The Board and the President propose that no dividend be paid for 2000.

Historically, Axis has paid a dividend amounting to about one third of profit for the year after tax, taking into account the company's equity ration goal. Dividend policy will continue to be restrictive pending the operations generating a positive cash flow as well as earnings and a financial position that permits payment of a dividend.

Warrant program

There is an annual recurring incentive program within Axis to employees in Sweden and abroad. For more information, see note 19 on page 34.

Data per share is presented in the five-year summary on page 21.

Glossary

ASIC

Application Specific Integrated Circuit. A circuit designed for a specific application, as opposed to a general purpose circuit, such as a microprocessor. Using ASICs as components in electronic devices can improve performance, reduce power consumption, increase safety and reduce costs.

Bluetooth

Bluetooth is an open standard for wireless transmission of voice and data between mobile devices (PCs, handheld computers, telephone and printers).

Broadband

High-speed transmission. The term is used to define the speed of communication lines or services and most commonly refers to T1 (1.544 Mbit/s) rates or better, even though the actual rate may be much lower or higher, depending on the application.

DSP

Digital Signal Processor. This is a circuit that is specially designed for digital signals in processor-intensive applications, such as wireless communication links and image processing. DSP circuits are often used in consumer products, such as mobile phones, faxes and digital TVs.

Ethernet

The most common standard for network communication in LANs (Local Area Networks).

GPRS

General Packet Radio Service. An extension of existing GSM networks whose features include faster data transmission speeds and persistent connections.

GSM

Global System for Mobile Communications. The digital mobile telephone technology that is the most common system in Europe, but is also used in other parts of the world.

HiperLAN/2

A standard for high-speed wireless LANs that supports data rates up to 54 Mbit/s. This system is similar to 802.11a and used the same 5 GHz frequency band.

IEEE 802.11

A family of standards for wireless LANs. 802.11 support 1 or 2 Mbit/s transmission on the 2.4 GHz band, while 802.11b specifies a 11 Mbit/s data rate on the 2.4 GHz band and 802.11a allows up to 54 Mbit/s on the 5 GHz band.

IP

Internet Protocol. A network and transport protocol used for exchanging data over the Internet. See also TCP/IP.

LAN

Local Area Network. A communication network that serves users within a limited geographic area. The most common type of LAN is Ethernet.

Linux

Linux is an open source operating system within the Unix family. Because of its robustness and availability, Linux has won popularity in the open source community and among commercial application developers.

Mbit/s

Megabits per second = one million data bits, zeroes and ones, per second. This is a measure of how quickly data is transmitted over a communication link.

NAS

Network Attached Storage. Storage devices, such as CDs or hard disks, that are directly connected to the network.

Network connectivity

The physical (wired or wireless) and logical (protocol) connection of a computer network or an individual device to a network, such as the Internet or a LAN.

OEM

Original Equipment Manufacturer. This is a designation for companies that manufacture equipment that is then market and sold of other companies under their own names.

PDA

Personal Digital Assistant. A handheld computer that provides a calendar and organizer for personal information. A PDA normally contains at least one database with names and addresses, to-do lists and a notepad.

Protocol

A set of formalized rules that describe how data is transmitted over a network. Low-level protocols define the electrical and physical standard, while high-level protocols deal with formatting of data. TCP and IP are examples of high-level LAN protocols.

Server

A computer or software application that provides services to other computers connected via a network. The most common example is a file server that has a local disk and handles requests from clients to read and write files on this disk.

Print server

A thin server that connects a printer to a network and allows users to share the printer. It may be a separate unit or a plug-in card in the printer.

System on a chip (SOC)

An ASIC that is specially developed to meet the requirements of a given application in which the objective is to integrate most functionality on a single chip, thereby realizing benefits in terms of price, performance and reliability. Examples of functions that are often integrated in an SOC are microprocessors, memory and interfaces.

TCP/IP

Transmission Control Protocol over Internet Protocol. The TCP/IP protocol defines how data can be transmitted in a secure manner between networks. TCP/IP is the most widely used communications standard and is the basis for the Internet.

Thin server

A network-based device that is designed to perform a specialized set of server functions, such as a print server or NAS (Network Attached Storage). A thin server offloads general-purpose application servers and makes using the network more efficient by providing functionality that is easier to install and more reliable than a conventional server.

UMTS

Universal Mobile Telecommunications System. The European implementation of third-generation (3G) systems for mobile telephony. UMTS offers services on the 2 GHz band, global roaming and customized functions. Data speeds are expected to range from 115 kbit/s to 2 Mbit/s in local hot spots.

3G

Third-generation mobile communication tools and networks.

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Financial information 2001

Annual General Meeting	May 23, 2001
Three-month interim report	April 20, 2001
Six-month interim report	August 20, 2001
Nine-month interim report	October 18, 2001
Year-end report	February 2002
Annual Report 2001	March 2002

Axis's financial information is published in Swedish and English.

The above reports can be ordered from Axis AB, Scheelevägen 34, SE-223 63 Lund, Sweden, or by telephone +46 46 272 18 00, or by telefax +46 46 13 61 30.

Axis's financial information is also available at the Axis website, www.axis.com/corporate/investor/

Analysts who monitor Axis on an ongoing basis

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Enskilda Securities	Per Trygg
Deutsche Bank	David Halldén
ArosMaizels	Greger Johansson
Danske Securities	David Jacobsson
Nordiska Fondkommission	Mikael Laséen

Dividend

The Board and the President proposal that no dividend be paid for 2000.

Invitation to Annual General Meeting

The Annual General Meeting is being held at the Scandic Star Hotel, Glimmervägen 5, Lund, Sweden, on Wednesday, May 23, 2001 at 10.30 a.m.

Shareholders who wish to participate in the Meeting must be listed in the share register maintained by VPC AB (Swedish Securities Register Center) not later than Friday, May 11, 2001. Those shareholders whose shares are registered in the name of a trustee, must in sufficient time ensure that the shares are re-registered at VPC in their own name, so-called voting right registration, on the aforementioned date.

Notice to participate must also be made to Axis AB not later than 4:00 p.m., Friday, May 18, 2001. At notification, the shareholders should provide name, personal identification or corporate registration number, address and telephone number. If participate is by proxy, this document must be forwarded prior to the Meeting. In connection with notification, the number of assistants that the shareholder wishes to attend should be noted. Notification can be made

- in writing to Axis AB, Attn: Adrienne Jacobsen, Scheelevägen 34, SE-223 63 Lund, Sweden,
- by telephone, +46 46 272 18 00 to Axis's head office, or
- by e-mail at address bolagstamma@axis.com



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