

Axis AB | Interim Report | January – March | 2001



- *Sales during the period amounted to SEK 176 M, which represents growth for the Group (including Netch) of 17 percent compared with the year-earlier period.*
- *The Group's operating loss for the period was SEK 72.7 M. Excluding Netch's restructuring costs (SEK 31,0 M) and loss (SEK 9.3 M), the operating result improved by SEK 21.8 M.*
- *Organic growth for Axis excluding Netch was 24 percent compared with the corresponding period in the preceding year.*
- *Strong sales growth in OEM (161 percent) and Camera (75 percent) compared with the year-earlier period.*
- *Total liquid funds amounted to SEK 198.7 M.*

Operations in general

Axis develops products and solutions for cost-efficient and simple connection of personal devices as well as peripheral units in both fixed and mobile networks. Founded in 1984, the company is a strong player in server solutions for printers and scanners, storage media as well as camera and video products. Concurrently, Axis is a pioneer in the development of the mobile Internet, with solutions for wireless broadband access to the Internet and local networks. Axis' vision is to increase the value of the network for users by enabling access to everything, from anywhere, any time.

Axis is active globally, with its own offices in fifteen countries and through cooperation with distributors and strategic partners. More than 95 percent of production is exported to more than 60 countries, with Europe, Asia and the US as the main markets. Since June 27, 2000, Axis is listed on the O-List of the Stockholm Exchange.

Sales

Sales during the quarter amounted to SEK 175.9 M (150.4), an improvement of 17 percent compared with the corresponding period in the preceding year. Sales were affected positively by exchange-rate gains of SEK 16 M. The increase is partly attributable to the OEM operation, which developed favorably and posted an increase of 161 percent, and partly by the Camera Division, which rose 75 percent compared with the year-earlier period. The high demand for the company's camera and video products is a strong driving force for Axis' growth. Within Office Connectivity, OEM*, sales primarily increases for embedded printer solutions.

The investments made in Asia, particularly in Japan, during the past year continued to have a positive effect and Axis' sales in these markets develop well, with an increase of 85 percent compared with the year-earlier period.

The economic slowdown that began in the US could result in lower IT investments by companies and consequently a certain decline for Axis' more mature product segments within the Networked Office* Division. It is still premature to speak of a general slowdown since after a weak start the period closed with a positive sales trend in Europe and a continued favorable trend in the OEM market. Excluding Netch and accessories, sales in Europe improved by 14 percent compared with the corresponding period in the preceding year.

Operating result

The Group's operating loss was SEK 72.7 M, which was an increase of SEK 16.1 M compared with the year-earlier period. Operating results were affected positively by SEK 4 M in exchange-rate gains. This period's earnings include restructuring

costs of SEK 31.0 M for Netch, which was announced in the year-end report. Adjusted for these costs and the loss in Netch, the Group's operating result improved by SEK 21.8 M, compared with the year-earlier period. ThinServer products posted an operating profit for the second consecutive quarter. The earnings were charged with total costs of SEK 5 M for bad debts and temporarily increased product procurement costs since certain production during the first quarter of 2001 must be sited in Sweden instead of in Asia.

The loss was affected by the investments carried out in the Mobile Internet business area (SEK 23.8 M) and the total loss in Netch including restructuring costs (SEK 40.3 M). After an intensive development phase during 2000, Axis will reduce its pace of investments during 2001.

The average number of employees was 546 (472) during the period.

Business development

In January 2001, Axis reached an agreement with Canon's sales company in Japan for three different products based on *Bluetooth*[™] wireless technology, including the access point Axis 9010, which is a mobile Internet product and Axis 5800 Mobile, a print server for wireless printing. The initial order value is about SEK 4 M. This is the first volume order within Axis' new business area. Some additional 250 prototypes of the access point were sold during the period to other partners for testing.

Axis also entered into an agreement during the quarter with American Honeywell to deliver a surveillance solution to a telecom operator in Taiwan. Axis is providing the network cameras and Honeywell is responsible for the system solution. The operator will be able to remotely monitor telecom stations in real time and carry out fault seeking and necessary adjustments over the Internet. The initial order value is about SEK 4.5 M.

During the CeBIT show in Germany in March, Axis introduced as planned its Mobile Access Server (MAS), a complete system solution aimed at existing and prospective operators of local mobile networks. It is developed to handle mobile Internet via access points through unlicensed radio technology. Among other features, MAS can handle network operations, positioning data, user identification, enhanced security and payment interfaces.

It is still uncertain when and how quickly *Bluetooth* will achieve a market breakthrough. Furthermore, it is difficult to assess when the market for local mobile networks will accelerate, although many industry observers project a massive growth in the years ahead. Accordingly, Axis has assumed a cautious stance and is not anticipating significant revenues for these solutions in a significant scope during 2001.

*) As part of the restructuring carried out to increase customer orientation, the combined Storage and Document Divisions changed name to Office Connectivity, OEM. The division includes printer solutions, document processing and storage media. The OEM segment of operations has been streamlined and organized within Office Connectivity, OEM.

Netch Technologies AB

A new issue of SEK 57.6 M was carried out in February 2001 to strengthen Netch's capital base. Axis subscribed for a total of SEK 36.6 M, which resulted in the ownership interest in Netch Technologies increasing to 59 percent.

During the period, Netch carried out an action program that began at the end of last year to adapt the company to the prevailing market situation and to enhance the conditions for profitability during 2001. The trend will largely depend on future market development. The nonrecurring expenses for the action program, which included a 50 percent reduction in personnel, amount to SEK 31 M during the period. Before restructuring expenses, Netch reports a loss of SEK 9.3 M for the quarter, which is more than a 50 percent reduction of the loss incurred in the preceding quarter.

Cash flow and financial position

Cash flow from ongoing operations was negative in the amount of SEK 17.8 M for the period. Net investments amounted to SEK 15.2 M. Axis has liquid funds amounting to SEK 198.7 M and unutilized credit guarantees totaling SEK 75 M. Accordingly, Axis has a total of SEK 273.7 M in disposable funds on March 31, 2001 and remains financially well positioned.

Equity

The Group's shareholders' equity amounts to SEK 325.9 M. The decline of SEK 53.4 M during the period includes the result for the quarter and an exchange-rate loss of SEK 0.3 M on warrants held in inventory. The total number of Axis shares amounted to 68,900,000 at the end of the period. After full subscription of outstanding warrants, the total number of shares is 70,942,500. The Group's equity/assets ratio at March 31, 2001 was 53.8 percent.

Parent Company

The Parent Company's operations are primarily focused on Group administration. The Parent Company has no employees. The operating loss amounted to SEK 10.6 M before tax. Liquid funds amounted to SEK 104.6 M and lending to SEK 60.0 M.

Sales by region*

SEK 000s	Q1, 2001	Q1, 2000	Q2, 2000	Q3, 2000	Q4, 2000
EMEA ¹⁾	83,881	87,167	84,782	77,746	120,703
Americas ²⁾	44,579	37,578	49,799	57,180	48,961
Asia	47,449	25,626	34,677	36,050	47,417
TOTAL	175,909	150,371	169,258	170,976	217,081

Sales by business area*

SEK 000s	Q1, 2001	Q1, 2000	Q2, 2000	Q3, 2000	Q4, 2000
Networked Office	75,523	81,348	81,471	82,238	87,503
Office Connectivity, OEM	32,025	12,249	21,732	25,883	31,846
Camera	52,257	29,849	44,422	46,239	62,941
Technology	219	–	98	392	1,144
Accessories	2,495	8,922	1,942	2,313	17,830
ThinServer products	162,519	132,368	149,665	157,065	201,264
Mobile Internet	1,062	–	571	69	530
Netch	12,328	18,003	19,022	13,842	15,287
TOTAL	175,909	150,371	169,258	170,976	217,081

Operating profit/loss(EBIT)*

SEK 000s	Q1, 2001	Q1, 2000	Q2, 2000	Q3, 2000	Q4, 2000
ThinServer products	434	–30,844	–11,243	–7,284	1,403
Mobile Internet	–23,820	–14,171	–18,640	–21,393	–33,742
Groupwide costs	–8,963	–9,186	–14,760	–8,316	–8,300
Operating loss Axis, excl. Netch	–32,349	–54,201	–44,643	–36,993	–40,639
Netch	–9,325	–2,343	–11,948	–17,806	–21,063
Netch restructuring costs	–31,000	–	–	–	–9,900
Total	–72,674	–56,544	–56,591	–54,799	–71,602

* The fiscal year 2000 covered the period May 1 – December 31. Quarterly information for 2000 is pro forma.

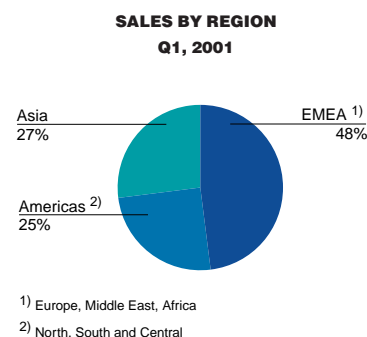
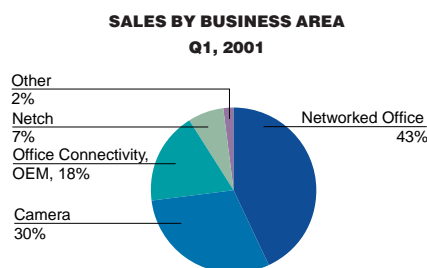
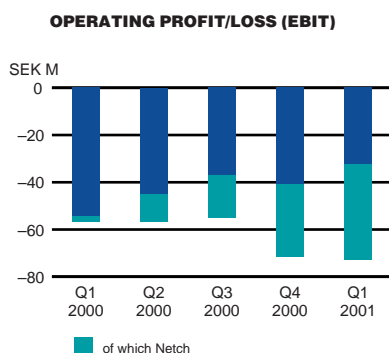
Annual General Meeting

The Annual General Meeting will be held at the Scandic Hotel Star, Glimmervägen 5, Lund, Sweden, Wednesday, May 23, 10:30 a.m.

Future reporting dates

Six-month interim report August 20, 2001
 Nine-month interim report October 18, 2001

Lund, April 20, 2001
 Board of Directors



Income statement SEK 000s	Q1, 2001	12 months		12 months April-March 2000/2001*
		Q1, 2000*	Jan-Dec 2000*	
Net sales	175,909	150,371	707,686	733,224
of which Netch	12,328	18,003	66,154	60,479
Cost of goods and services sold	-100,901	-86,611	-397,921	-412,211
Gross profit	75,008	63,760	309,765	321,013
of which Netch	-3,834	8,103	-10,258	-22,195
Sales costs	-56,731	-58,300	-275,699	-274,130
Administrative costs	-19,333	-16,295	-83,402	-86,440
Research and development costs	-38,250	-43,423	-185,298	-180,125
Items affecting comparability	-31,000	-	-	-31,000
Other operating expenses	-2,486	-2,286	-4,918	-5,118
Shares in associated companies before tax	118	-	15	133
Operating profit/loss	-72,674	-56,544	-239,537	-255,667
varav Netch	-40,325	-2,343	-63,060	-101,042
Net financial items	3,007	26,962	19,880	-4,075
Profit/loss after financial items	-69,667	-29,582	-219,657	-259,742
of which Netch	-40,934	-2,756	-65,334	-103,512
Tax on profit/loss for the period	432			
Minority share in result for the period	15,791			
Loss for the year	-53,444			
Earnings per share before dilution (SEK)	-1.01	-0.52	-3.51	-3.95
Earnings per share after dilution (SEK)	-0.98	-0.52	-3.63	-4.05
Number of shares before dilution, average (000s)	68,900	56,400	62,650	65,775
Number of shares after dilution, average (000s)	70,943	56,970	60,463	63,956
Cash flow analysis				
SEK 000s	Q1, 2001			
Cash flow from ongoing operations before change in operating capital	-41,299			
Change in operating capital	23,482			
Cash flow from ongoing operations	-17,817			
Cash flow from investment operations	-15,240			
Cash flow from financing operations	35,776			
Cash flow for the period	2,719			
Liquid funds on the opening date	195,993			
Liquid funds on the closing date	198,712			

* The shortened fiscal year 2000 covered the period May 1 – December 31. Information for Q1 2000 and for 12 months is pro forma.

For further information please contact Peter Ragnarsson, CEO, tel: +46-46 272 18 00 or Anne Rhenman, Head of Corporate Communications and Investor Relations, tel: +46-708 90 18 29.

The Annual Report for 2000 is available on Axis' website, www.axis.com/corporate/investor/

Balance sheet SEK 000s	March 31, 2001	March 31, 2000	Dec. 31, 2000
Fixed assets	168,108	85,796	160,119
Inventories	52,491	75,650	60,119
Receivables from customers	125,852	111,302	137,960
Other receivables	50,157	51,463	73,247
Liquid funds	198,712	-	195,993
Total	595,320	324,211	627,438
Equity	325,947	50,944	379,739
Minority interest	-5,849	9,905	12,125
Provisions	38,145	11,471	15,175
Interest-bearing long-term liabilities	66,139	121,164	51,363
Noninterest-bearing current liabilities	170,938	130,727	169,036
Total	595,320	324,211	627,438

Key ratios	March 31, 2001
Net sales growth (%)	17.0
Gross margin (%)	42.6
Operating margin (%)	neg
Profit margin (%)	neg
Depreciation/amortization (SEK M)	5
Equity (SEK M)	326
Capital employed (SEK M)	386
Interest-bearing liabilities (SEK M)	66
Net interest-bearing liabilities (SEK M)	-133
Total assets (SEK M)	595
Return on capital employed (%)	neg
Return on total equity (%)	neg
Return on shareholders' equity (%)	neg
Interest coverage ratio (multiple)	neg
Net debt/equity ratio (multiple)	neg
Equity/assets ratio (%)	53.8
Share of risk-bearing capital (%)	55.7
Capital turnover (multiple)	1.7
Number of employees (average for the period)	546
Sales per employee (SEK M)	0.3
Operating result per employee (SEK M)	neg

Per-share data	March 31, 2001
Cash flow per share (SEK)	0.04
Share price on closing date (SEK)	16.00
P/E ratio	neg

This interim report is unaudited. The report is prepared in accordance with the recommendation of the Swedish Financial Accounting Standards Council, RR20 Interim Reports. The same accounting principles and calculation methods were applied as in most recent annual report.