



Axis AB | Interim Report | January - June | 2001



- *Group sales during the first six months amounted to SEK 353 M (320).*
- *The operating loss for the six-month period was SEK 122 M (loss: 113).
The operating loss for the second quarter was SEK 50 M (loss: 57).*
- *Sales growth is continuing in OEM (97%) and Camera (46%), compared with the corresponding six-month period in the preceding year.*
- *The restructuring measures that have been implemented are expected to result in the achievement of the Group's profitability target during the second half of 2001.*

Operations in general

Axis is one of the global leaders in the expanding market for network connectivity. The company develops network products and solutions for wired and wireless connection of printers, scanners and storage media, as well as network cameras and video servers. Axis also develops solutions for wireless access to the Internet and local networks. Axis' vision is to enable network access to everything, from anywhere, any time.

Axis, which was founded in 1984, is active globally with 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, the U.S. and Asia as the main markets. Axis has been listed on the Stockholm Exchange O-list since June 27, 2000.

Sales

Sales during the six-month period amounted to SEK 353 M (320), an increase of 10 percent compared with the corresponding period in the preceding year. Sales were affected positively by exchange-rate gains of SEK 36 M. Sales in the second quarter amounted to SEK 177 M (169).

As in the earlier part of the year, the improvement was partly attributable to the OEM market, which continued to develop favorably and reported an increase corresponding to 97 percent, and also to continued growth in the Camera Division, where there was an improvement of 46 percent compared with the year-earlier period.

At the same time, the economic slowdown is affecting virtually all markets, particularly the U.S. and Japan. Axis is nonetheless able to report sales growth in comparison with the first quarter, especially in Europe. The contracts with new distributors were a major factor in this context. There are also favorable tendencies in the U.S., where there are signs of a stabilization of Axis' sales, with an increased focus on camera and video products.

Operating result

The Group's operating loss for the six-month period was SEK 122 M, an increase of SEK 9 M compared with the corresponding period in the preceding year. The loss after financial items was SEK 128 M (loss: 88). The operating loss during the second quarter amounted to SEK 50 M (loss: 57), which was an improvement of SEK 7 M compared with the corresponding period in the preceding year. ThinServer products, Axis' core operations, posted a profit for the third consecutive quarter. Exchange rate gains had a positive impact of SEK 10 M on the operating result.

Restructuring measures

Axis sold its shareholding in Netch Technologies AB to Wapplay AB. Axis' ownership interest amounted to 59 percent. The sales resulted in a positive effect on operating earnings of SEK 10 M in the second quarter. The negative impact on earnings for Axis related to Netch amounted to SEK 31 M for the half year. Since additional financing was required, Axis decided to sell its holding which was no longer strategic in nature. As a result of the sale, Axis has no further undertakings with regard to Netch.

Mobile Access Server, a Mobile Internet product, was sold to the management of the product area. The business model is based on system sales to telecom operators, which does not comply with Axis' core operations. Axis intends to subscribe to a five-year SEK 7.5 M convertible in the new company, which corresponds to a potential holding of 47.5 percent.

This change reduces the development costs for the Mobile Internet area of operations but does not affect future initiatives by Axis in access points and other wireless network products based on unlicensed radio technologies.

In addition to the restructuring measures an action program was implemented during the period, which includes staff cut-backs of 15 percent. This is reflected in a charge against operating result of SEK 20 M for the second quarter.

The restructuring measures implemented during the period, combined with the action plan, results in a cost reduction of more than SEK 100 M on annual basis from third quarter 2001.

The average number of employees at the end of the period, following these restructuring measures was 356, to be compared with 581 at beginning of 2001.

Business development

A new advanced network camera, the AXIS 2420, which features a number of security functions, was launched in May. The target group is the professional security sector, where the demand for network cameras is expected to continue at a strong level. Axis has also started to cooperate with Milestone Systems, a Danish software company, enabling it to offer the growing security market complete digital solutions combining network cameras and video servers supplied by Axis with Milestone security software.

During the period, Axis noted continued substantial interest among major end-users and OEM-customers, for advanced printer servers that can cope with various computer environments.

There continues to be considerable interest in the Axis 9010 access point particularly in the Japanese market. During the period, Axis received an order worth approximately SEK 1 M for *Bluetooth* access points from NTT, the largest Japanese telecom operator. The contract is for a pilot project for local mobile services at a shopping center in Osaka. Technical delays

are holding up a genuine breakthrough for Bluetooth and the flow of substantial revenues for this area of operations.

Cash flow and financial position

Cash flow from current operations was negative in an amount of SEK 44 M during the period. Net investments amounted to SEK 18 M. Axis has liquid funds amounting to SEK 165 M and unutilized committed lines of credit totaling SEK 75 M. As a result, Axis had a total of SEK 240 M in disposable funds at June 30, 2001.

Equity

The Group's shareholders' equity amounted to SEK 267.6 M. The change during the period reflects a loss of SEK 94.5 M for the period, a negative change of SEK 17.2 M in the Group structure and an exchange rate loss of SEK 0.4 M on warrants held in the company's own holdings. The total number of shares amounted to 68,900,000 at the end of the period. After full exercise of outstanding warrants, the total number of shares is 70,942,500. The Group's equity/assets ratio at June 30, 2001 was 51.3 percent.

Parent Company

The Parent Company's operations primarily focus on Group administration. The Parent Company has no employees. The operating loss amounted to SEK 2 before tax. Liquid funds amounted to SEK 81 M and borrowing to SEK 60 M.

Incentive program

On May 23, 2001, the Annual General Meeting approved the Board's proposal to provide company employees an opportunity to acquire warrants in Axis AB. Warrants are to be issued and transferred to employees during August 2001.

Sales by region

SEK 000s	Q1 2001	Q2 2001	Q2 2000*	Q1-Q2 2001	Q1-Q2 2000*
EMEA (Europe, Middle East, Africa)	83,881	95,151	84,782	179,032	171,949
Americas (North, South, Central)	44,579	44,748	49,799	89,327	87,377
Asia	47,449	36,742	34,677	84,191	60,303
TOTAL	175,909	176,641	169,258	352,550	319,629

Sales by business area

SEK 000s	Q1 2001	Q2 2001	Q2 2000*	Q1-Q2 2001	Q1-Q2 2000*
Networked Office	75,523	73,373	81,471	148,896	162,819
Office Connectivity, OEM	32,025	34,921	21,732	66,946	33,981
Camera	52,257	56,530	44,422	108,787	74,271
Technology	219	1,148	98	1,367	98
Other	2,495	1,841	1,942	4,336	10,864
ThinServer products	162,519	167,813	149,665	330,332	282,033
Mobile Internet	1,062	677	571	1,739	571
Netch	12,328	8,151	19,022	20,479	37,025
TOTAL	175,909	176,641	169,258	352,550	319,629

Operating profit/loss (EBIT)

SEK 000s	Q1 2001	Q2 2001	Q2 2000*	Q1-Q2 2001	Q1-Q2 2000*
(ThinServer products)	434	706	-11,243	1,140	-42,087
Mobile Internet	-23,820	-24,652	-18,640	-48,472	-32,811
Groupwide expenses	-8,963	-15,172	-14,760	-24,135	-23,946
	-32,349	-39,118	-44,643	-71,467	-98,844
Restructuring costs		-20,296		-20,296	
Axis, excl. Netch	-32,349	-59,414	-44,643	-91,763	-98,844
Netch	-40,325	9,804	-11,948	-30,521	-14,291
Group total	-72,674	-49,610	-56,591	-122,284	-113,135

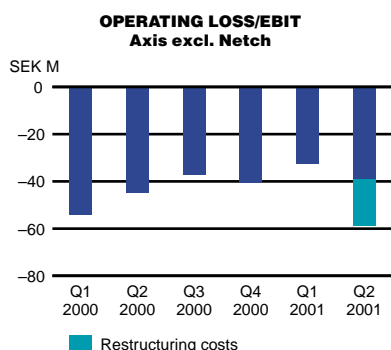
* The fiscal year 2000 covered the period May 1–December 31. Quarterly information for 2000 is estimated on a pro forma basis.

Outlook for the second half of 2001

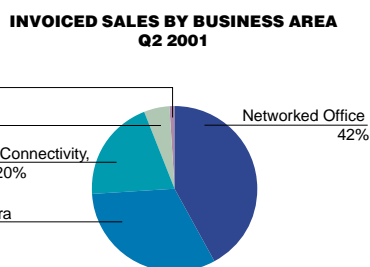
Taking into account the action plan and restructuring measures now implemented, Axis remains firm in its assessment that profitability will be achieved in the second half of 2001.

Lund, August 20, 2001

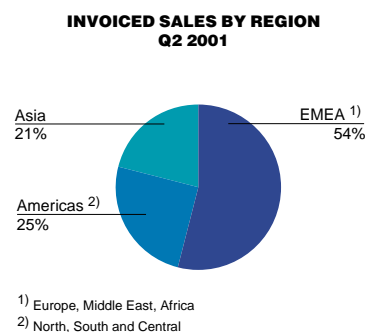
Board of Directors



Restructuring measures implemented will result in a cost reduction of more than SEK 100 M annually, from and including Q3, 2001.



The Camera and OEM business areas continue to grow.



Netch accounts for 9 percent of EMEA's invoicing.

Income statement

SEK 000s	Full year					
	Q2 2001	Q2 2000*	Q1-Q2 2001	Q1-Q2 2000*	Jan-Dec 2000*	July-June 00/01*
Net sales	176,641	169,258	352,550	319,629	707,686	740,607
of which Netch	8,151	19,022	20,479	37,025	66,154	49,608
Cost of goods and services sold	-89,583	-78,199	-190,484	-164,810	-397,921	-423,595
Gross profit	87,058	91,059	162,066	154,819	309,765	317,012
of which Netch	-2,069	3,433	-5,903	11,536	-10,258	-27,697
Sales costs	-66,067	-76,737	-122,798	-135,037	-275,699	-263,460
Administrative costs	-18,064	-27,203	-37,397	-43,498	-83,402	-77,301
Research and development costs	-49,797	-43,252	-88,047	-86,675	-185,298	-186,670
Items affecting comparability	-2,296	-	-33,296	-	-	-33,296
Other operating expenses	-484	-458	-2,970	-2,744	-4,918	-5,144
Participation in associated companies before tax	40	-	158	-	15	173
Operating profit/loss	-49,610	-56,591	-122,284	-113,135	-239,537	-248,686
of which Netch	9,804	-11,948	-30,521	-14,291	-63,060	-79,290
Net financial items	-9,116	-2,228	-6,109	24,734	19,880	-10,963
Profit/loss after financial items	-58,726	-58,819	-128,393	-88,401	-219,657	-259,649
of which Netch	9,243	-12,255	-31,691	-15,011	-65,334	-50,323
Tax on profit/loss for the period	22,558	-	22,990	-	-	-
Minority share in result for the period	-4,850	-	10,941	-	-	-
Loss for the period	-41,018	-	-94,462	-	-	-
Earnings per share						
- before dilution, SEK	-0.85	-1.04	-1.86	-1.57	-3.51	-3.77
- after dilution, SEK	-0.70	-0.99	-1.72	-1.99	-3.63	-3.52
Number of shares						
- before dilution, average (000s)	68,900	56,400	68,900	56,400	62,650	68,900
- after dilution, average (000s)	70,942	56,970	70,942	56,970	60,463	70,574

Cash flow analysis

SEK 000s	Q2 2001	Q1-Q2 2001
Cash flow from ongoing operations before change in operating capital	-48,853	-90,152
Change in operating capital	22,196	45,678
Cash flow from ongoing operations	-26,657	-44,474
Cash flow from investment operations	-2,401	-17,641
Cash flow from financing operations	-5,122	30,654
Cash flow for the period	-34,180	-31,461
Liquid funds on the opening date	198,712	195,993
Liquid funds on the closing date	164,532	164,532

* The shortened fiscal year 2000 covered the period May 1–December 31. Quarterly and 12-month information is estimated on a pro forma basis.

This interim report has been prepared in accordance with the RR20 Interim Reports recommendation issued by the Swedish Financial Accounting Standards Council. The accounting principles and calculation methods comply with those used in the most recent annual report.

Balance sheet

SEK 000s	June 30, 2001	June 30, 2000	Dec. 31, 2000
Fixed assets	167,907	103,160	160,119
Inventories	51,520	77,419	60,119
Receivables from customers	109,533	103,222	137,960
Other receivables	28,591	56,243	73,247
Liquid funds	164,532	312,496	195,993
Total	522,083	652,540	627,438
Shareholders' equity	267,637	455,861	379,739
Minority interest	-	5,747	12,125
Provisions	30,074	12,592	15,175
Interest-bearing long-term liabilities	61,017	48,109	51,363
Non-interest-bearing current liabilities	163,355	130,231	169,036
Total	522,083	652,540	627,438

Key ratios

	June 30, 2001	Dec. 31, 2000*
Net sales growth (%)	10.3	-
Gross margin (%)	46.0	43.8
Operating margin (%)	-34.7	-33.8
Profit margin (%)	-36.4	-31.0
Depreciation (SEK M)	21.6	18.5
Shareholders' equity (SEK M)	268	380
Capital employed (SEK M)	347	447
Interest-bearing liabilities (SEK M)	61	51
Net interest-bearing liabilities (SEK M)	-104	-145
Total assets (SEK M)	522	627
Return on capital employed (%)	-60.4	-37.9
Return on total capital (%)	-41.7	-26.9
Return on shareholders' equity (%)	-79.3	-115.7
Interest coverage ratio (multiple)	-14.1	-15.7
Net debt/equity ratio (multiple)	-0.4	-0.4
Equity/assets ratio (%)	51.3	62.5
Proportion of risk-bearing capital (%)	53.5	64.3
Capital turnover rate (multiple)	1.8	2.2
Number of employees (average for the period)	527	540
Sales per employee (SEK M)	1.3	1.4
Operating result per employee (SEK M)	-0.5	-0.4

Per-share data

	June 30, 2001	Dec. 31, 2000
Share price on closing date	11.20	17.50
Dividend	-	-
P/E ratio	-	-
Number of shares outstanding (000s)	68,900	68,900

This six-month has been reviewed in accordance with the recommendations issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is considerably limited in scope compared with an audit. There is nothing to indicate that this six-month report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.

Lund, August 20, 2001

Öhrlings PriceWaterhouseCoopers AB
Anders Lundin, Authorized Public Accountant

Future financial reports

Interim report January–September 2001 October 18, 2001
Year-end financial statement February 12, 2002

Further information is available from the President, Peter Ragnarsson, tel: +46-46 272 18 00 or Anne Rhenman, Corporate Communications and Investor Relations Manager, tel: +46-708 90 18 29. The Annual Report for 2000 is available on the Axis website, www.axis.com/corporate/investor/



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