

Interim Report January–September 2001

Axis achieves profitability

- Group sales for comparable units during the first nine months amounted to SEK 487 M (440). Total sales, including Netch, which was divested during the year, amounted to SEK 507 M (491).
- The operating result for comparable units during the first nine months was a loss of SEK 91 M (loss: 136). The operating result for the third quarter improved to a profit of SEK 1 M (loss: 37).
- Due to air transport problems following the terrorist acts in the US it was not possible to deliver orders worth more than SEK 10 M until October.
- The gross margin for comparable units continued to improve and was 55.4 per-cent during the third quarter.

About Axis: *Axis develops user-friendly solutions for efficient communication over wired and wireless networks. The company is a world leader in all its established product areas. Axis' products are used in many environments such as offices and facilities.*

Axis was founded in 1984 and has been listed on the Stockholm Exchange O-list since June 2000. The company has 340 employees and operates on a global basis from offices in 15 countries and through the cooperation of its distributors and strategic partners. More than 95 percent of production is exported to over 60 countries.

Axis implemented restructuring measures during the second quarter of 2001, including divestment of its holding in Netch. Unless stated otherwise, the outcome and comparative data presented in the following text applies to comparable units, excluding Netch. The aim has been to show the development of the restructured company. Results and comparative data including Netch's performance are presented in the subsequent tables.

Sales

Sales for comparable units during the nine-month period amounted to SEK 487 M (440), an increase of 11 percent compared with the corresponding period in the preceding year. Total sales, including Netch, which was divested during the year, amounted to SEK 507 M (491). Sales were affected positively by exchange-rate gains of SEK 56 M. Sales for comparable units in the third quarter amounted to SEK 155 M (157).

Camera products continue to be the fastest growing area of operations, with sales growth of 39 percent during the first nine months, compared with the corresponding period in the preceding year. The OEM area is also continuing to develop well, and several major projects will be completed on schedule during the fourth quarter. Axis is continuing to take market shares in the print server market, although this does not compensate for the weak market in the Networked Office area.

The uncertain economic situation is affecting sales in all geographic markets. Axis notes increasing interest in Camera products in all markets – particularly in the United States – as a result of a widespread and growing awareness of security needs.

Netch, which was previously reported in sales for the EMEA market area, ceased to be part of the Group after June 30, 2001.

Operating result

The Group's operating result for comparable units for the nine-month period was a loss of SEK 91 M (including restructuring costs of SEK 20 M), an improvement of SEK 45 M, compared with the corresponding period in the preceding year. The loss after financial items was SEK 95 M (loss: 112). The operating result during the third quarter amounted to a profit of SEK 1 M (loss: 37), an improvement of

SEK 38 M, compared with the corresponding quarter of the preceding year. The operating loss for the nine-month period, including Netch, was SEK 122 M (loss: 168).

Profitability during the third quarter represents Axis' achievement of a strategically important objective. Profitability is the result of continued favorable development of basic operations and the impact of the restructuring and action programs implemented in the preceding quarter. Gross margin for comparable units improved by 4.8 percentage points in comparison with the first six months of 2001, due to the transfer of a high proportion of the company's production to Asia. Operating earnings were affected positively by exchange-rate gains of SEK 16 M.

Air transport problems due to acts of terrorism in the United States had a negative impact on operating earnings for the third quarter since sales amounting to more than SEK 10 M could not be invoiced until October.

The number of employees at the end of the period amounted to 340 (561, including divested units).

Business trend

Demand for Camera products is increasing. Among other things, this is due to a gradual switch from analogue to digital solutions in the market place. In addition, there is increasing investment in infrastructure security enhancement, in both the public and private sectors. New Camera solutions are being developed on a continuous basis in order to expand business opportunities and establish new areas of application. In the autumn of 2001, for example, Axis is launching a product that transmits both sound and vision.

In the Networked Office area the development of Axis' distributor and retail network is proceeding as planned.

In addition, Axis' network technology is used in an increasing number of industrial contexts. Several new and strategically important customer contracts were established during the third quarter in the OEM and technology area, for example in Italy and Taiwan.

Cash flow and financial position

Cash flow from ongoing operations amounted to a deficit of SEK 15 M during the period. Net investment amounted to an expense of SEK 1 M. Axis has liquid funds amounting to SEK 139 M and unutilized lines of credit totaling SEK 85 M. As a result, Axis had total disposable funds of SEK 224 M at September 30, 2001.

Equity

The Group's shareholders' equity amounts to SEK 288.0 M. The changes during the period reflect the loss of SEK 75.9 M reported for the period, costs of SEK 17.2 M for changes in the Group structure, and revenues of SEK 1.4 M from the issue of warrants. The total number of shares amounted to 68,900,000 at the end of the period. After full exercise of out-

standing warrants, the total number of shares is 71,253,100. The Group's equity/assets ratio at September 30, 2001 was 60.1 percent.

Parent Company

The Parent Company's operations primarily focus on Group administration. The Parent Company has no employees. The Parent Company reported an operating loss of SEK 55 M before tax. Liquid funds amounted to SEK 29 M and borrowing to SEK 50 M.

Outlook for the fourth quarter of 2001

Despite considerable uncertainty about business trends in the immediate future, Axis is maintaining its target of generating continued operating profit during the remainder of the year. The holding in nBand – currently booked at SEK 32 M – may need to be written down during the fourth quarter, depending on the outcome of nBands financing process currently under way.

Lund, October 18, 2001

Board of Directors

Sales by region

SEK 000s	Q1 2001	Q2 2001	Q3 2001	Q3 2000*	Q1-Q3 2001	Q1-Q3 2000*
EMEA (Europe, Middle East, Africa)	71,553	87,000	66,359	63,904	224,912	198,828
Americas (North, South, Central)	44,579	44,748	51,873	57,180	141,200	144,557
Asia	47,449	36,742	36,456	36,050	120,647	96,353
Axis, excl. Netch	163,581	168,490	154,688	157,134	486,759	439,738
Netch	12,328	8,151	–	13,842	20,479	50,867
Total Group	175,909	176,641	154,688	170,976	507,238	490,605

Sales by business area

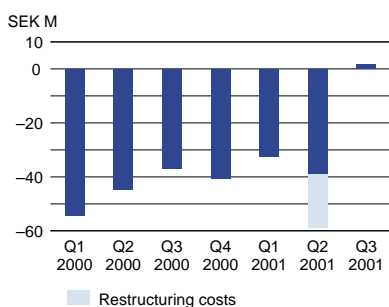
SEK 000s	Q1 2001	Q2 2001	Q3 2001	Q3 2000*	Q1-Q3 2001	Q1-Q3 2000*
Networked Office	75,523	73,373	66,739	82,238	215,635	245,057
Office Connectivity, OEM	32,025	34,921	24,052	25,883	90,998	59,864
Camera	52,257	56,530	59,084	46,239	167,871	120,510
Technology	219	1,148	1,340	392	2,707	490
Other	2,495	1,841	2,200	2,313	6,536	13,177
ThinServer products	162,519	167,813	153,415	157,065	483,747	439,098
Mobile Internet	1,062	677	1,273	69	3,012	640
Axis, excl. Netch	163,581	168,490	154,688	157,134	486,759	439,738
Netch	12,328	8,151	–	13,842	20,479	50,867
Total Group	175,909	176,641	154,688	170,976	507,238	490,605

Operating profit/loss (EBIT)

SEK 000s	Q1 2001	Q2 2001	Q3 2001	Q3 2000*	Q1-Q3 2001	Q1-Q3 2000*
ThinServer products	434	706	16,327	–7,284	17,467	–49,371
Mobile Internet	–23,820	–24,652	–9,529	–21,393	–58,001	–54,204
Groupwide expenses	–8,963	–15,172	–6,083	–8,316	–30,218	–32,262
	–32,349	–39,118	715	–36,993	–70,752	–135,837
Restructuring costs	–	–20,296	–	–	–20,296	–
Axis, excl. Netch	–32,349	–59,414	715	–36,993	–91,048	–135,837
Netch	–40,325	9,804	–	–17,806	–30,521	–32,097
Total Group	–72,674	–49,610	715	–54,799	–121,569	–167,934

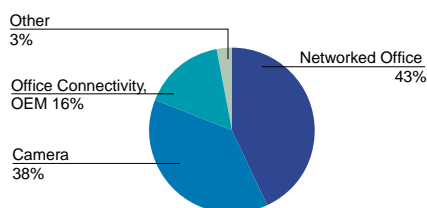
* The fiscal year 2000 covered the period May 1–December 31. Quarterly information for 2000 is estimated on a pro forma basis.

OPERATING PROFIT/LOSS (EBIT)
Axis excl. Netch



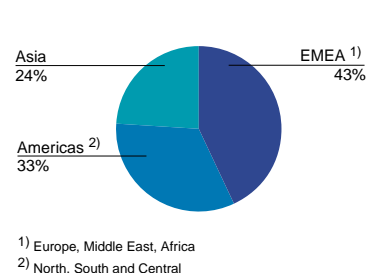
The operating profit for Q3 2001 represents Axis' achievement of a strategically important objective.

INVOICED SALES BY BUSINESS AREA
Q3, 2001



Camera continues to be the fastest-growing area of operations.

INVOICED SALES BY REGION
Q3, 2001



Netch, which was previously reported in sales for the EMEA region, ceased to be part of the Group after June 30, 2001.

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.

Income statement

SEK 000s	Q3 2001	Q3 2000*	Q1–Q3 2001	Q1–Q3 2000*	Full year Jan–Dec 2000*	12 months Oct–Sept 00/01*
Net sales	154,688	170,976	507,238	490,605	707,686	724,319
of which Netch	–	13,842	20,479	50,867	66,154	35,766
Cost of goods and services sold	–69,021	–92,773	–259,505	–257,583	–397,921	–399,843
Gross profit	85,667	78,203	247,733	233,022	309,765	324,476
of which Netch	–	–4,654	–5,903	6,882	–10,258	–23,043
Sales costs	–39,343	–58,182	–162,141	–193,219	–275,699	–244,621
Administrative costs	–13,342	–18,960	–50,739	–62,458	–83,402	–71,683
Research and development costs	–30,812	–51,348	–118,859	–138,023	–185,298	–166,134
Items affecting comparability	–	–	–33,296	–	–	–33,296
Other operating expenses	–1,455	–4,512	–4,425	–7,256	–4,918	–2,087
Participation in associated companies before tax	–	–	158	–	15	173
Operating profit/loss	715	–54,799	–121,569	–167,934	–239,537	–193,172
of which Netch	–	–17,806	–30,521	–32,097	–63,060	–61,484
Net financial items	548	–1,349	–5,561	23,385	19,880	–9,066
Profit/loss after financial items	1,263	–56,148	–127,130	–144,549	–219,657	–202,238
of which Netch	–	–18,308	–31,691	–33,319	–65,334	–63,706
Tax on profit/loss for the period	17,337		40,327			
Minority share in result for the period	–		10,941			
Profit/Loss for the period	18,600		–75,862			
Earnings per share **						
– before dilution, SEK	0.02	–0.81	–1.85	–2.39	–3.51	–2.94
– after dilution, SEK	0.02	–0.81	–1.79	–2.36	–3.45	–2.85
Number of shares						
– before dilution, average (000s)	68,900	68,900	68,900	60,567	62,650	68,900
– after dilution, average (000s)	71,253	69,470	71,046	61,137	63,588	71,020

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

** Earnings per share are defined as income after financial items divided by the average number of shares. Earnings per share after dilution are defined as income after financial items divided by the average number of shares after full exercise of outstanding warrants.

Cash flow analysis

SEK 000s	Q3 2001	Q1–Q3 2001
Cash flow from ongoing operations before change in operating capital	–1,188	–91,340
Change in operating capital	–13,372	32,306
Cash flow from ongoing operations	–14,560	–59,034
Cash flow from investment operations	–1,122	–18,763
Cash flow from financing operations	–9,686	20,968
Cash flow for the period	–25,368	–56,829
Liquid funds on the opening date	164,532	195,993
Liquid funds on the closing date	139,164	139,164

Balance sheet

SEK 000s	Sept. 30 2001	Sept. 30 2000	Dec. 31 2000
Fixed assets	181,448	148,460	160,119
Inventories	46,244	80,608	60,119
Receivables from customers	91,864	144,854	137,960
Other receivables	20,800	57,509	73,247
Liquid funds	139,164	184,464	195,993
Total	479,520	615,895	627,438
Shareholders' equity	288,011	425,600	379,739
Minority interest	–	–2,972	12,125
Provisions	22,740	12,539	15,175
Interest-bearing long-term liabilities	49,957	2,982	51,363
Non-interest-bearing current liabilities	118,812	177,746	169,036
Total	479,520	615,895	627,438

Key ratios

	Sept. 30 2001	Dec. 31 2000*
Net sales growth (%)	3.4	–
Gross margin (%)	48.8	43.8
Operating margin (%)	–24.0	–33.8
Profit margin (%)	–25.1	–31.0
Depreciation (SEK M)	19.6	18.5
Shareholders' equity (SEK M)	288	380
Capital employed (SEK M)	350	447
Interest-bearing liabilities (SEK M)	50	51
Net interest-bearing liabilities (SEK M)	–89	–145
Total assets (SEK M)	480	627
Return on capital employed (%)	–39.0	–37.9
Return on total capital (%)	–28.1	–26.9
Return on shareholders' equity (%)	–50.6	–115.7
Interest coverage ratio (multiple)	–11.4	–15.7
Net debt/equity ratio (multiple)	–0.3	–0.4
Equity/assets ratio (%)	60.1	62.5
Proportion of risk-bearing capital (%)	62.3	64.3
Capital turnover rate (multiple)	1.7	2.2
Number of employees (average for the period)	478	540
Sales per employee (SEK M)	1.4	1.4
Operating result per employee (SEK M)	–0.3	–0.4

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

Per-share data

	Sept. 30 2001	Dec. 31 2000
Share price on closing date	11.50	17.50
Dividend	–	–
P/E ratio	–	–
Number of shares outstanding (000s)	68,900	68,900

This interim report has not been reviewed by Axis' auditors.

Future financial reports

Year-end financial statement	February 12, 2002
Interim report January–March 2002	April 19, 2002
Interim report January–June 2002	July 19, 2002
Interim report January–September 2002	October 18, 2002



Further information is available from the CEO, Peter Ragnarsson, 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 the Axis website, www.axis.com/corporate/investor/

Axis AB · Scheelevägen 34
SE-223 63 Lund, Sweden
www.axis.com