

Year-end Report 2001

Turnaround during year to profitability and positive cash flow

- Group net sales for comparable units in the fiscal year 2001 amounted to SEK 676 M (642). Including the Netch company that was divested during the year, sales amounted to SEK 696 M (708).
- The operating loss for comparable units for the full-year 2001 amounted to SEK 83 M, compared with a loss of SEK 176 M a year earlier. Including the Netch company, which was divested during the year, the operating loss was SEK 114 M (loss: 240). Operating profit in the fourth quarter amounted to SEK 8 M (loss: 41), corresponding to a profit margin of 4.1%.
- In accordance with the goals established, operating profit (SEK 8 M) as well as cash flow from operating activities (SEK 19 M) were positive during the second half of the year.

About Axis: *Axis develops solutions for user-friendly and secure communication over wired and wireless networks. The company is a worldwide market leader in network connectivity, with products for the office, facility and industrial environments.*

Axis was founded in 1984 and is listed on the O-list (Attract 40) of Stockholmsbörsen (XSSE:AXIS). With more than 300 employees, and offices in 14 countries, Axis operates globally in cooperation with distributors and OEM partners in 70 countries. Markets outside Sweden account for more than 95 percent of sales. Information about Axis can be found at www.axis.com

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

Axis' net sales for comparable units for the full-year 2001 amounted to SEK 676 M (642), corresponding to an increase in sales of 5%. Currency effects affected net sales positively in the amount of SEK 76 M. Net sales of comparable units in the fourth quarter of the year amounted to SEK 189 M (202).

Sales of network camera and video products were strong and this business segment, which accounted for 35% of the Group's invoicing during the year, increased by nearly 33%, compared with the preceding year. The Original Equipment Manufacturers (OEM) sector also developed favorably as a result of a number of new cooperation agreements, and recorded an increase of more than 33% in sales for the full year, relative to 2000. The weak market for such products as print servers and storage servers in the Networked Office Division affected the trend of business and contributed to a decrease of 12% in sales, compared with the preceding year. Geographically, sales are growing in all regions and Axis has generally been able to advance its positions in both rapid-growing and mature product areas.

Including Netch, which was divested during the year, net sales amounted to SEK 696 M (708).

Operating result

The operating loss for the full year amounted to SEK 114 M, as against a loss of SEK 240 M a year earlier. Adjusted to reflect restructuring costs and divested units, the operating loss was SEK 63 M, which was SEK 113 M less than the loss in 2000. The loss after financial items amounted to SEK 149 M, compared with a loss of SEK 220 in the preceding year. Net financial expense of SEK 36 M (20) included, among other items, a write-down of the holding in nBand Inc in the amount of slightly more than SEK 32 M.

Operating profit for the fourth quarter amounted to SEK 8 M – equal to an operating margin of 4.1% – compared with a loss of SEK 41 M in the fourth quarter of 2000. Currency effects affected operating results for the full year favorably in the amount of SEK 26 M.

The strong improvement in operating results is the combined result of a favorable sales trend in a number of business areas, the structural changes that were implemented during the second quarter, lower operating costs, and improved gross margins.

Cash flow and financial position

The cash flow was strengthened as a result of the profitability achieved during the second half of the year and the continuing program to reduce tied-up capital. The cash flow from ongoing operations was a negative SEK 15 M for the full year, a positive SEK 33 M in the fourth quarter and positive in the amount of SEK 19 M for the second half.

Net investments for the year amounted to SEK 12 M, including the proceeds from the sale during the fourth quarter of the undeveloped property in Lund.

Axis has SEK 181 M in liquid funds, as well as unutilized credit facilities of SEK 85 M. The company thereby had disposable funds totaling SEK 266 M as of December 31, 2001.

Important events during the year

Structural changes

The holding in Netch Technologies AB (59%) was divested during 2001. During the first half of the year the negative result from Netch amounted to SEK 31 M. Since there was a need for additional financing, Axis decided to sell the holding, which was no longer strategic in character.

The Mobile Access Server product was divested in June to the management of the product area. The business model is based on sales of systems to telecom operators, which differs from Axis' core business. The sale resulted in reduced development costs, but does not affect Axis' continuing focus on access points as well as other wireless network products based on various unlicensed radio technologies.

A cost-saving program, implemented in the second quarter of 2001, involved reducing the number of employees by approximately 15 percent, among other measures. As a result of this program and the restructuring measures, operating costs have been reduced by more than SEK 100 M on an annual basis and are expected to have full effect during 2002.

Improved gross margins

Since midyear 2001 a substantial part of Axis' production has been transferred to new subcontractors in Asia, resulting in an improvement of 5.7 percentage points in gross margins, compared with the first half of the year. The gross margin for comparable units amounted to 53.5 percent for the full year.

Trend of business

The shift in technology from analog to digital solutions and the trend toward generally increased interest in security is driving the development of the market for network camera and video products. During the year there were a number of large orders for network cameras, and strategically important framework agreements covering security and monitoring solutions were signed with Honeywell and Securitas, among other companies. In the Networked Office Division, Axis continued its program of strengthening its distribution platform and expanding cooperation to more geographic areas with Azlan, Ingram Micro and EET Nordic. A number of important cooperation agreements in the OEM field were entered into with such global players as Minolta and Panasonic.

Write-down of nBand

Since nBand has not been successful in securing continuing financing, the company will be liquidated. As a result, Axis has written down the 11%-holding in nBand to 0 in the fourth quarter. Earlier, Axis' holding had been carried on the books at slightly more than SEK 32 M.

Shareholders' equity

The Group's shareholders' equity amounted to SEK 273 M. Of the changes during the period, a reduction of SEK 90 M is attributable to results for the period; negative SEK 17 M was attributable to changes in Group structure; and SEK 1 M pertained to liquid funds for warrants issued. The total number of shares at the end of the period was 68,900,000. Following exercise of all warrants, there will be 71,253,100 shares outstanding. As of December 31, 2001, the Group's equity/assets ratio amounted to 56%.

Changes in reporting

In connection with the fact that Axis at the end of 2001 replaced its earlier division organization with a function-based organization, invoicing that was formerly reported by division will be reported for reasons of clarity by product group, effective in the first quarter of 2002.

Parent Company

The Parent Company's operations are focused primarily on Group administration and the company has no employees. The operating loss after financial items amounted for the full year to SEK 178 M (141).

The Parent Company's liquid funds amounted to SEK 37 M and its borrowing totaled SEK 50 M.

Outlook for 2002

The strategic investments in technology, products and market development, which are aimed at strengthening the company's position and facilitating growth, are proceeding as planned. Axis' objective for 2002 is to continue to develop in a profitable manner. At the same time, the sales trend is expected to be weak during the first half of the year due to the uncertain trend of the economy. The Japanese economy, which continued to weaken at the end of 2001, also affects the trend of sales for both Axis' products and OEM products. Despite these factors, Axis' estimate of positive operating results for full-year 2002 remains in effect.

Accounting principles

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.

Annual General Meeting and dividend

The Annual General Meeting of the Company will be held Thursday, April 25, 2002, at 5:00 p.m., at Edison Park, Emdalavägen 14, Lund, Sweden.

The Board of Directors proposes that no dividend be paid for the fiscal year 2001.

Lund, February 12, 2002

The Board of Directors

Sales by business area SEK 000s	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Pro forma Q4, 2000*	Full year 2001	Pro forma Full year 2000*
Networked,Office	75,523	73,373	66,739	76,497	87,503	292,132	332,560
OEM	32,025	34,921	24,052	31,454	31,846	122,452	91,710
Camera	52,257	56,530	59,084	75,154	62,941	243,025	183,451
Technology	219	1,148	1,340	1,429	1,144	4,136	1,634
Other	2,495	1,841	2,200	2,356	17,830	8,892	31,007
<i>ThinServer products</i>	<i>162,519</i>	<i>167,813</i>	<i>153,415</i>	<i>186,890</i>	<i>201,264</i>	<i>670,637</i>	<i>640,362</i>
Mobile Internet	1,062	677	1,273	2,205	530	5,217	1,170
Netch	12,328	8,151	–	–	15,287	20,479	66,154
TOTAL	175,909	176,641	154,688	189,095	217,081	696,333	707,686

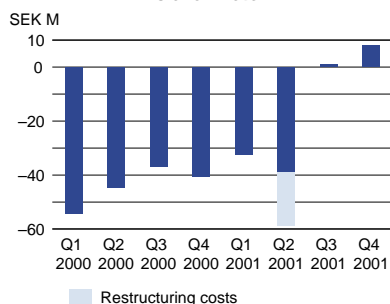
Sales by region SEK 000s	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Pro forma Q4, 2000*	Full year 2001	Pro forma Full year 2000*
EMEA**	83,881	95,151	66,359	85,494	120,703	330,885	370,398
Americas	44,579	44,748	51,873	68,576	48,961	209,776	193,518
Asia	47,449	36,742	36,456	35,025	47,417	155,672	143,770
TOTAL	175,909	176,641	154,688	189,095	217,081	696,333	707,686

Operating profit/loss (EBIT) SEK 000s	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Pro forma Q4, 2000*	Full year 2001	Pro forma Full year 2000*
ThinServer products	434	706	16,327	19,617	1,403	37,084	–47,968
Mobile Internet	–23,820	–24,652	–9,529	–3,861	–33,742	–61,862	–87,946
Groupwide expenses	–8,963	–15,172	–6,083	–7,993	–8,301	–38,211	–40,563
	–32,349	–39,118	715	7,763	–40,640	–62,989	–176,477
Restructuring costs	–	–20,296	–	–	–	–20,296	–
Axis excl. Netch	–32,349	–59,414	715	7,763	–40,640	–83,285	–176,477
Netch	–40,325	9,804	–	–	–30,963	–30,521	–63,060
TOTAL GROUP	–72,674	–49,610	715	7,763	–71,603	–113,806	–239,537

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

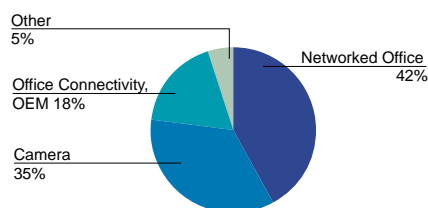
**Netch, which was previously reported in the EMEA region, is not included in the Group as of Q3 2001.

OPERATING PROFIT/LOSS (EBIT)
Axis excl. Netch



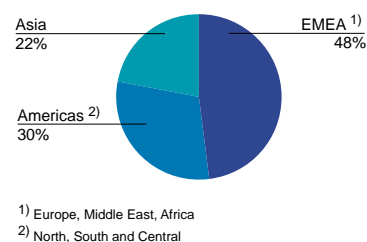
As a result of the positive operating profit for Q3 2001, Axis achieved a strategically important goal. The earnings improvement continued in Q4.

INVOICED SALES BY BUSINESS AREA
2001



Camera continues to be the fastest growing business area. OEM has also developed favorably during the year.

INVOICED SALES BY REGION
2001



All Axis' markets show increased sales during 2001. Netch, which was previously reported in the EMEA region, is not included in the Group as of Q3 2001.

Income statement

SEK 000s	Q4 2001	Pro forma Q4, 2000*	Full year 2001	Pro forma Full year 2000*
Net sales	189,095	217,081	696,333	707,686
<i>of which Netch</i>	–	15,287	20,479	66,154
Cost of goods and services sold	–81,249	–140,338	–340,754	–397,921
Gross profit	107,846	76,743	355,579	309,765
<i>of which Netch</i>	–	–17,140	–5,903	–10,258
Sales costs	–49,870	–82,480	–212,011	–275,699
Administrative costs	–15,523	–20,944	–66,262	–83,402
Research and developments costs	–32,193	–47,275	–151,052	–185,298
Items affecting comparability	–	–	–33,296	–
Other operating expenses	–2,497	2,338	–6,922	–4,918
Participation in associated companies before tax	–	15	158	15
Operating profit/loss	7,763	–71,603	–113,806	–239,537
<i>of which Netch</i>	–	–30,963	–30,521	–63,060
Net financial items	–30,126	–3,505	–35,687	19,880
Profit/loss after financial items	–22,363	–75,108	–149,493	–219,657
<i>of which Netch</i>	–	–32,015	–31,691	–65,334
Tax on profit/loss for the period	8,118	–	48,445	–
Minority share in result for the period	–	–	10,941	–
Profit/loss for the period	–14,245	–	–90,107	–
Earnings per shares before dilution (SEK)	–0.32	–1.09	–2.17	–3.51
Earnings per share after dilution (SEK)	–0.31	–1.06	–2.10	–3.45
Number of shares before dilution, average (000s)	68,900	68,900	68,900	62,650
Number of shares after dilution, average (000s)	71,253	70,942	71,098	63,588

Cash flow analysis

SEK 000s	Q4 2001	Full year 2001
Cash flow from ongoing operations before change in operating capital	10,838	–80,502
Change in operating capital	22,659	54,965
Cash flow from ongoing operations	33,497	–25,537
Cash flow from investment operations	6,303	–12,460
Cash flow from financing operations	1,809	22,777
Cash flow for the period	41,609	–15,220
Liquid funds on the opening date	139,164	195,993
Liquid funds on the closing date	180,773	180,773

Balance sheet

SEK 000s	Dec. 31 2001	Dec. 31 2000
Fixed assets	136,611	148,651
Inventories	46,628	60,119
Receivables from customers	106,339	137,960
Other receivables	18,828	73,247
Liquid funds	180,773	195,993
Total	489,179	615,970
Shareholders' equity	273,014	379,739
Minority interest	–	12,125
Provisions	16,125	3,707
Interest-bearing long-term liabilities	50,000	51,363
Non-interest-bearing current liabilities	150,040	169,036
Total	489,179	615,970

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

Key ratios

	Dec. 31 2001	Pro forma Dec. 31 2000*
Net sales growth (%)	-1.6	-
Gross margin (%)	51.1	43.8
Operating margin (%)	-16.3	-33.8
Profit margin (%)	-21.5	-31.0
Depreciation (SEK M)	19.4	18.5
Shareholders' equity (SEK M)	273	380
Capital employed (SEK M)	339	447
Interest-bearing liabilities (SEK M)	50	51
Net interest-bearing liabilities (SEK M)	-131	-145
Total assets (SEK M)	489	616
Return on capital employed (%)	-26.8	-37.9
Return on total capital (%)	-19.1	-27.3
Return on shareholders' equity (%)	-45.8	-115.7
Interest coverage ratio (multiple)	-2.4	-15.7
Net debt/equity ratio (multiple)	-0.5	-0.4
Equity/assets ratio (%)	55.8	63.6
Proportion of risk-bearing capital (%)	57.4	65.5
Capital turnover rate (multiple)	1.8	2.2
Number of employees (average for the period)	439	540
Sales per employee (SEK M)	1.6	1.4
Operating result per employee (SEK M)	-0.3	-0.4

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

Per-share data

	Dec. 31 2001	Dec. 31 2000
Share price on closing date	25.00	17.50
Dividend	-	-
P/E ratio	-	-
Number of shares outstanding (000s)	68,900	68,900

Future financial reports

Interim report January–March 2002	April 19, 2002
Interim report January–June 2002	July 19, 2002
Interim report January–September 2002	October 18, 2002

The Annual Report for 2001 will be published during March 2002 on the Axis website,
www.axis.com/corporate/investor/



Further information is available from the CEO, Peter Ragnarsson, tel: +46-46 272 18 00 or
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