

Interim Report January–March 2002

Continued increased profitability and positive cash flow

- Group net sales for comparable units during the first quarter amounted to SEK 164 M (164).
- The operating profit for the period improved to SEK 11 M (loss: 32) for comparable units, corresponding to an operating margin of 6.5%.
- Cash flow from operating activities amounted to SEK 5 M.
- Continued sales growth in the Video product area; up 28%, compared with the year-earlier period.

About Axis: *Axis develops solutions for user-friendly and secure communication over wired and wireless networks. The company is a world-wide 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.

Restructuring and changed reporting

Axis implemented restructuring measures during the second quarter of 2001. Unless stated otherwise, the comparative data presented in the following text applies to comparable units. The aim has been to show the development of the restructured company. At the end of 2001, Axis replaced the previous division organization with a functional organization in which sales are reported by product group starting with the first quarter of 2002.

Sales

Axis' net sales for comparable units during the first quarter amounted to SEK 164 M (164). Including the divested company Netch, net sales in the first quarter of the preceding year were SEK 176 M. Currency effects impacted positively on net sales in the amount of SEK 5 M.

The Video product area, which includes network cameras and video servers, shows a continued favorable sales trend in all markets, rising 28% during the first three months of the year compared with the year-earlier period. Accordingly, sales of camera and video products accounted for 41% of Axis' total sales.

The trend of sales in all product areas and in all geographical regions was affected by the generally weak business environment. A mood of caution still prevails with regard to IT investments, which among other effects impacted on sales development for network solutions in office environments. However, there were signs of generally increasing activity toward the end of the period.

Axis has proceeded as planned with activities to strengthen distribution channels and increase presence in all markets. Among other actions, several agreements were reached with new distributors in the Netherlands and Germany. In the United States and Great Britain, agreements were signed with some 20 new resellers that are also system integrators focusing on security and surveillance systems.

Original Equipment Manufacturers (OEM) sales accounted for 25% of total sales in the quarter, compared with 21% in the year-earlier period.

Operating result

The Group's operating profit for comparable units was SEK 11 M (loss: 32), an improvement of SEK 43 M compared with the corresponding period in the preceding year. Including the divested company Netch, the operating loss in the first quarter of 2001

was SEK 73 M. Operating margin for the period was 6.5% (neg: 19.8). Profit after financial items amounted to SEK 14 M, compared with a loss of SEK 29 in the preceding year. Adjustment to the Swedish Financial Accounting Standards Council's recommendation RR15 affected operating results positively in the amount of slightly less than SEK 1 M. Currency effects had no significant impact on operating profit. Gross margin was 58.7% (48.2).

Cash flow and financial position

Cash flow from operating activities amounted to SEK 5 M during the period. Net investments amounted to SEK 2 M. During the period, slightly less than SEK 1 M in development costs were capitalized in accordance with the Swedish Financial Accounting Standards Council's recommendation RR15. Axis has SEK 185 M in liquid funds, as well as unutilized credit facilities of SEK 85 M. The company thereby had disposable funds totaling SEK 270 M as at March 31, 2002.

Shareholders' equity

The Group's shareholders' equity amounted to SEK 286 M. Of the changes during the period, SEK 12 M is attributable to results for the period and SEK 1 M to liquid funds for warrants held on account. The total number of shares at the end of the period was 68,900,000. Following exercise of all warrants outstanding, there would be 70,942,500 shares. As at March 31, 2002, the Group's equity/assets ratio amounted to 59%.

Business development

A number of new products and cooperation activities were presented during the period. At CeBit in March, the interest for Axis was considerable. Products featured included the AXIS 70, which offers

simplified document distribution and is expected to increase interest for document servers when it hits the market during the second quarter. The AXIS 5810, which facilitates wireless printing for mobile users, received positive response. With the aim of further strengthening Axis' position in the market for network-connected video surveillance, a product for digital recording of video was launched. The AXIS 2460 DVR is an effective new solution for video storage in a surveillance system.

In the OEM market, new multi-functional products were introduced in cooperation with Panasonic. AXIS 7100 is a combination of a traditional print server and a document server, which makes it possible for Panasonic copiers to also function as a printer as well as distribute documents electronically.

Interest for network cameras and video servers continued to increase in all markets. Among other contracts, Axis delivered surveillance solutions to the Olympic Games' media center in Salt Lake City as well as the Washington Police Department and received an order from a retailing organization in Italy to increase store security.

Development during 2002

The prior assessment of weak sales during the first half of the year is unchanged. However, during the period several markets began to show signs of increased activity. Through an increasingly stronger reseller structure and increased number of strategic partners, the conditions for further market development have been created. Axis' goal of having continued profitable development remains.

Accounting principles

The interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim Reports. The

same accounting principles and calculation methods as in the most recent annual report were applied with the exception of capitalization of research and development expenditures (Swedish Financial Accounting Standards Council's recommendation RR15). The capitalization principle is described below.

Axis technology is based on internally developed ASIC (Application Specific Integrated Circuit) platforms that form the core of Axis' products. Development of new platforms is capitalized as of fiscal year 2002 on a current basis during the development period and are depreciated based on the estimated economic lifetime. Network applications based on these platforms, such as network cameras and print servers for example, are regarded as adaptations of core products. Adaptations of the platforms to various network applications are not capitalized.

Parent Company

The Parent Company's operations focus primarily on Group administration and the company has no employees. The operating loss amounted to SEK 1 M.

The Parent Company's liquid funds amounted to SEK 95 M and its borrowing totaled SEK 50 M.

Annual General Meeting and dividend

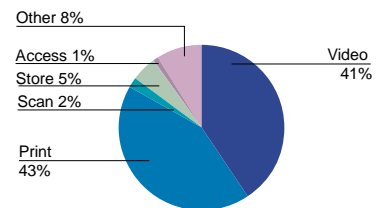
The Annual General Meeting of the Company will be held Thursday, April 25, 2002, at 5:00 p.m., at Edison Park, Emdalavägen 14, Lund, Sweden.

Lund, April 19, 2002

Peter Ragnarsson
President and CEO

Invoiced sales by product group excl. Netch (SEK 000s) ¹⁾²⁾	Q1 2002	Q1 2001	Q2 2001	Q3 2001	Q4 2001
Video	66,844	52,419	53,562	58,671	73,670
Print	71,184	80,821	75,326	70,562	81,828
Scan	3,574	8,211	7,904	5,781	3,281
Store	8,321	14,130	12,316	10,478	13,720
Access	848	1,062	677	1,273	2,146
Other	13,266	6,938	18,705	7,923	14,450
TOTAL	164,037	163,581	168,490	154,688	189,095

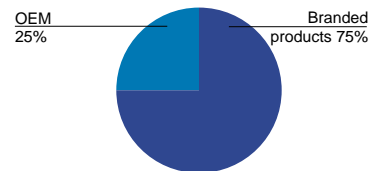
INVOICED SALES BY PRODUCT GROUP Q1, 2002



The video product area continued to show favorable growth, with an increase of 28% compared with Q1 2001.

Invoiced sales by region excl. Netch (SEK 000s) ²⁾	Q1 2002	Q1 2001	Q2 2001	Q3 2001	Q4 2001
EMEA ²⁾	76,790	71,553	87,000	66,359	85,494
Americas	44,926	44,579	44,748	51,873	68,576
Asia	42,321	47,449	36,742	36,456	35,025
TOTAL	164,037	163,581	168,490	154,688	189,095

SALES BRANDED PRODUCTS/OEM Q1, 2002



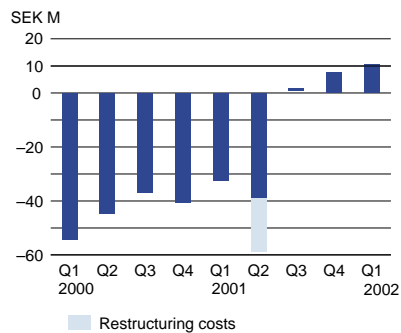
OEM sales accounted for 25% of total sales in the quarter.

Income statement in brief excl. Netch (SEK 000s) ²⁾	Q1 2002	Q1 2001	Q2 2001	Q3 2001	Q4 2001
Net sales	164,037	163,581	168,490	154,688	189,095
Gross profit	96,236	78,842	89,127	85,667	107,846
Gross margin	58.7%	48.2%	52.9%	55.4%	57.0%
Operating profit/loss	10,652	-32,349	-59,414	715	7,763
Operating margin	6.5%	-19.8%	-35.3%	0.5%	4.1%
Profit/loss after financial items	13,659	-28,733	-67,969	1,263	-22,363

¹⁾ At the end of 2001, Axis replaced the previous division organization with a functional organization in which sales are reported by product group starting with the first quarter of 2002. The tables show pro forma sales figures for 2001.

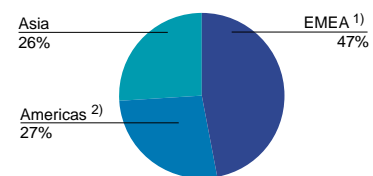
²⁾ Netch, which was previously reported in the EMEA region, is not included in the Group as of Q3, 2001.

OPERATING PROFIT/LOSS (EBIT) Axis excl. Netch



As a consequence of reporting an operating profit in Q3, 2001, Axis achieved a strategically important goal. The positive earnings trend continued as planned.

INVOICED SALES BY REGION Q1, 2002



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

All geographical regions showed a similar trend during the period.

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, with the exception of capitalization of research and development expenditures.

Income statement

(SEK 000s)	Q1 2002	Q1 2001	Full year 2001	12 mos Apr 01– March 02
Net sales	164,037	175,909	696,333	684,461
<i>of which Netch</i>	–	12,328	20,479	8,151
Cost of goods and services sold	–67,801	–100,901	–340,754	–307,654
Gross profit	96,236	75,008	355,579	376,807
<i>of which Netch</i>	–	–3,834	–5,903	–2,069
Sales costs	–41,605	–56,731	–212,011	–196,885
Administrative costs	–14,937	–19,333	–66,262	–61,866
Research and development costs	–31,421	–38,250	–151,052	–144,223
Items affecting comparability	–	–31,000	–33,296	–2,296
Other operating income	2,379	–	–	2,379
Other operating expenses	–	–2,486	–6,922	–4,436
Participation in associated companies before tax	–	118	158	40
Operating profit/loss	10,652	–72,674	–113,806	–30,480
<i>of which Netch</i>	–	–40,325	–30,521	9,804
Net financial items	3,007	3,007	–35,687	–35,687
Profit/loss after financial items	13,659	–69,667	–149,493	–66,167
<i>of which Netch</i>	–	–40,934	–31,691	9,243
Tax on profit/loss for the period	–1,753	432	48,445	46,260
Minority share in result for the period	–	15,791	10,941	–4,850
Profit/loss for the period	11,906	–53,444	–90,107	–24,757
Earnings per share before dilution (SEK)	0.69	–3.10	–1.31	–0.36
Earnings per share after dilution (SEK)	0.69	–3.10	–1.31	–0.36
Number of shares before dilution, average (000s)	68,900	68,900	68,900	68,900
Number of shares after dilution, average (000s)	68,954	68,900	68,900	68,900

Cash flow analysis

(SEK 000s)	Q1 2002	Q1 2001	Full year 2001
Cash flow from ongoing operations before change in operating capital	10,404	–41,299	–80,502
Change in operating capital	–4,961	23,482	54,922
Cash flow from ongoing operations	5,443	–17,817	–25,580
Cash flow from investment operations	–1,657	–15,240	–12,460
Cash flow from financing operations	–	35,776	22,820
Cash flow for the period	3,786	2,719	–15,220
Liquid funds on the opening date	180,773	195,993	195,993
Liquid funds on the closing date	184,559	198,712	180,773

Income statement pro forma

During the second quarter of 2001, Axis completed a restructuring that included the sale of its 59 percent holding in Netch Technologies. In order to show the development of the restructured Axis Group, the table below shows a pro forma income statement in which Netch is excluded.

(SEK 000s)	Q1 2002	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Full year 2001	12 mos April 01– March 02
Net sales	164,037	163,581	168,490	154,688	189,095	675,854	676,310
Cost of goods and services sold	–67,801	–84,739	–79,363	–69,021	–81,249	–314,372	–297,434
Gross profit	96,236	78,842	89,127	85,667	107,846	361,482	378,876
Sales costs	–41,605	–53,417	–61,302	–39,343	–49,870	–203,932	–192,120
Administrative costs	–14,937	–17,038	–16,662	–13,342	–15,523	–62,565	–60,464
Research and development costs	–31,421	–38,250	–49,797	–30,812	–32,193	–151,052	–144,223
Items affecting comparability	–	–	–20,296	–	–	–20,296	–20,296
Other operating income	2,379	–	–	–	–	–	2,379
Other operating expenses	–	–2,486	–484	–1,455	–2,497	–6,922	–4,436
Operating profit/loss	10,652	–32,349	–59,414	715	7,763	–83,285	–40,284
Net financial items	3,007	3,616	–8,555	548	–30,126	–34,517	–35,126
Profit/loss after financial items	13,659	–28,733	–67,969	1,263	–22,363	–117,802	–75,410

Balance sheet

(SEK 000s)	March 31 2002	March 31 2001	Dec. 31 2001
Fixed assets	134,343	168,108	136,611
Inventories	49,149	52,491	46,628
Receivables from customers	83,633	125,852	106,339
Other receivables	33,764	50,157	18,828
Liquid funds	184,559	198,712	180,773
Total	485,448	595,320	489,179
Shareholders' equity	286,028	325,947	273,014
Minority interest	–	–5,849	–
Provisions	11,796	38,145	16,125
Interest-bearing long-term liabilities	50,000	66,139	50,000
Non-interest-bearing current liabilities	137,624	170,938	150,040
Total	485,448	595,320	489,179

Key ratios

	Q1 2002	Q1 2001	Full year 2001
Net sales growth (%)	0.3 ¹⁾	17.0	–1.6
Gross margin (%)	58.7	42.6	51.1
Operating margin (%)	6.5	–41.3	–16.3
Profit margin (%)	8.3	–39.6	–21.5
Depreciation (SEK M)	16	19	19
Shareholders' equity (SEK M)	286	326	273
Capital employed (SEK M)	340	386	339
Interest-bearing liabilities (SEK M)	50	66	50
Net interest-bearing liabilities (SEK M)	–135	–133	–131
Total assets (SEK M)	485	595	489
Return on capital employed (%)	15.8	–96.3	–26.8
Return on total capital (%)	10.6	–59.5	–19.1
Return on shareholders' equity (%)	12.9	–147.9	–45.8
Interest coverage ratio (multiple)	19.9	–52.1	–2.4
Net debt/equity ratio (multiple)	–0.5	–0.4	–0.5
Equity/assets ratio (%)	58.9	53.8	55.8
Proportion of risk-bearing capital (%)	60.6	55.7	57.4
Capital turnover rate (multiple)	1.8	1.7	1.8
Number of employees (average for the period)	328	546	439
Sales per employee (SEK M)	2.0	1.3	1.6
Operating result per employee (SEK M)	0.1	–0.5	–0.3

¹⁾ Compared pro forma excl. Netch.

Per-share data

	March 31 2002	March 31 2001	Dec. 31 2001
Share price on closing date	21.30	16.00	25.00
Dividend	–	–	–
P/E ratio	31	–	–
Number of shares outstanding (000s)	68,900	68,900	68,900

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

Future financial reports

Interim report January–June 2002 July 19, 2002

Interim report January–September 2002 October 18, 2002

The Annual Report for 2002 is available on Axis Web site, 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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