

Interim Report January–September 2002

Increased profit and growth

- Group net sales for comparable units during the first nine months of 2002 amounted to SEK 502 M (487).
- Operating profit for comparable units increased to SEK 30 M (loss: 91). The operating margin amounted to 6%.
- Cash flow from operating activities amounted to SEK 8 M (neg: 59).
- Continued good sales growth in the Video product area: up 31% 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 amounted to SEK 502 M (487) during the period, an increase of 3%. Net sales in the corresponding period a year earlier, including the divested company Netch were SEK 507 M. Currency effects impacted net sales negatively in the amount of SEK 7 M during the period. Sales in the third quarter, which increased by 8% compared with the year-earlier period, amounted to SEK 168 M (155).

Many markets, notably in the United States, are still characterized by an uncertain economic trend and longer decision-making processes. Despite this, Axis' sales trend has been stable. Asia is showing a marked growth in sales, due in part to large number of OEM sales. In the third quarter there was also notable sales growth in Europe where the intensification of a number of marketing activities had a positive impact on sales.

Demand for network cameras and video servers continues to increase. This trend is driven in part by a change in technology as well as increased interest in surveillance and security solutions. During the nine-month period, sales in the Video product area amounted to SEK 216 M (165), an increase of 31% compared with the first nine months of 2001. Video accounts for 44% of the company's total sales and is thus Axis' largest product area.

The Print product area, which earlier in the year showed the effects of the economic slowdown, has stabilized and reported growth of 3% in the third quarter, compared with the year-earlier period. Sales in the other product areas continue to be dampened by restrained investment interest which prevails in the IT market.

OEM sales constituted 24% (21) of Axis' total sales during the nine-month period.

Operating profit

The Group's operating profit for comparable units amounted to SEK 30 M, compared with a loss of SEK 91 M a year earlier, an improvement of SEK 121 M. The operating result for the year-earlier period, including the divested company Netch, was a loss of SEK 122 M. Profit after financial items amounted to SEK 39 M, compared with a loss of SEK 95 M in the preceding year.

The operating margin for the period was 6% (neg: 19%). Currency effects impacted profit positively in the amount of SEK 8 M during the period.

Operating profit in third quarter of 2002 amounted to SEK 12 M (1); the operating margin was 7% and the profit margin was 10%.

Cash flow and financial position

The cash flow from operating activities amounted to SEK 8 M. In order to increase efficiency and improve margins, a change pertaining to the inventory for the supply of components was implemented during the third quarter. Net investments amounted to SEK 6 M. In accordance with Recommendation RR 15 of the Swedish Financial Accounting Standards Council, SEK 4 M in development costs was capitalized during the nine-month period. Axis has liquid funds amounting to SEK 134 M and unutilized credit facilities amounting to another SEK 135 M. Accordingly, the company had disposable funds totaling SEK 269 M as at September 30, 2002.

Shareholders' equity

The Group's shareholders' equity amounts to SEK 307 M. Of the changes made during the period, SEK 31 M pertained to profit for the period, SEK 1 M to a new issue of warrants, and SEK 2 M to a change in warrants held on account. The total number of

shares at the end of the period was 68,900,000. Following the exercise of all warrants outstanding, there will be 71,421,300 shares. As at September 30, 2002, the Group's equity/assets ratio was 70%.

Business development

As has been the case earlier, the trend toward increasingly professional applications and larger investments in security and surveillance continued during the year. Axis has received, among others, two strategically important orders in France. Legrand, one of the world's leading companies in electrical installations, is selecting Axis' network cameras for a solution pertaining to remote surveillance of homes. Caisse d'Epargne, France's third-largest bank group, also chose Axis' network cameras when it approved an investment in a new security system. The order initially involved 70 of the group's bank offices and Axis expects to receive additional orders during the autumn.

The cooperation with Honeywell continued to develop during the third quarter. Axis is delivering video servers for a security system in a prison in New Zealand. The installation is the second being made jointly with Honeywell in the Pacific region in only a few months. Increased interest has also been noted in such fields as transport and logistics. Among other agreements a large number of video servers was delivered for use in remote surveillance of public transports in Naples, Italy.

Prospects for fourth quarter of 2002

The Video product area is continuing to show good growth possibilities. At the same time, sales in the other product areas continue to be affected by a cautious IT market in which few signs point to a

rapid recovery in the fourth quarter. Despite the uncertain market situation, Axis believes that the sales trend as a whole will remain stable during the rest of the year. Axis stands by its goal of having continued profitable development.

Accounting principles

The interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim Reports. With the exception of capitalization of expenditures for development work, the accounting principles and methods of calculation are the same as those applied in the most recent annual report.

Parent Company

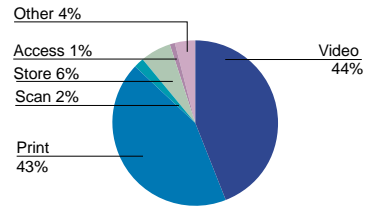
The Parent Company's operations focus primarily on administration of the Group. The Parent Company has no employees. The operating loss amounted to SEK 2 M. The Parent Company's liquid funds amounted to SEK 62 M.

Lund, October 17, 2002

Peter Ragnarsson
President and CEO

Invoiced sales by product group excl. Netch (SEK 000s) ¹⁾²⁾	Q1 2002	Q2 2002	Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001
Video	66,844	74,756	74,146	58,671	215,746	164,652
Print	71,184	74,044	72,554	70,562	217,782	226,709
Scan	3,574	3,425	2,704	5,781	9,703	21,896
Store	8,321	6,129	9,825	10,478	24,275	36,924
Access	848	3,087	801	1,273	4,736	3,012
Other	13,266	9,209	7,522	7,923	29,997	33,566
TOTAL	164,037	170,650	167,552	154,688	502,239	486,759

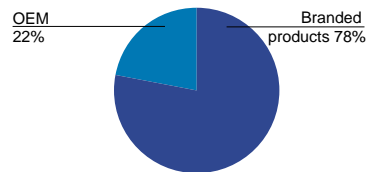
INVOICED SALES BY PRODUCT GROUP Q3, 2002



Video is Axis' largest product area and demand for network cameras and video servers continues to increase.

Invoiced sales by region excl. Netch (SEK 000s) ²⁾	Q1 2002	Q2 2002	Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001
EMEA	76,790	78,033	70,155	66,359	224,978	224,912
Americas	44,926	46,971	49,054	51,873	140,951	141,200
Asia	42,321	45,646	48,343	36,456	136,310	120,647
TOTAL	164,037	170,650	167,552	154,688	502,239	486,759

SALES BRANDED PRODUCTS/OEM Q3, 2002



The trend of OEM sales was stable, accounting for 22% (17) of total sales in the quarter.

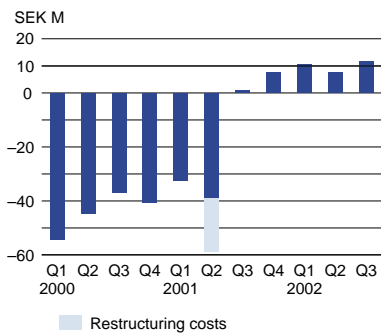
Income statement in brief excl. Netch (SEK 000s) ²⁾	Q1 2002	Q2 2002	Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001
Net sales	164,037	170,650	167,552	154,688	502,239	486,759
Gross profit	96,236	96,601	94,573	85,667	287,410	253,636
Gross margin	58.7%	56.6%	56.4%	55.4%	57.2%	52.1%
Operating profit/loss	10,652	7,590	11,775	715	30,017	-91,048
Operating margin	6.5%	4.4%	7.0%	0.5%	6.0%	-18.7%
Profit/loss after financial items	13,659	9,265	16,173	1,263	39,097	-95,439

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.

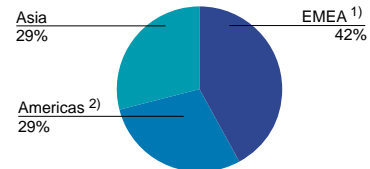
Quarterly data for 2001 and 2002, see last page in this report.

OPERATING PROFIT/LOSS (EBIT) Axis excl. Netch



Operating profit for comparable units during the nine-month period improved by SEK 121 M compared with the year-earlier period.

INVOICED SALES BY REGION Q3, 2002



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

During the third quarter, Asia and EMEA showed growth compared with the corresponding quarter in 2001.

Income statement

(SEK 000s)	Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001	Full year 2001	12 mos Oct. 01- Sept. 02
Net sales	167,552	154,688	502,239	507,238	696,333	691,334
of which Netch	-	-	-	20,479	20,479	-
Cost of goods and services sold	-72,979	-69,021	-214,829	-259,505	-340,754	-296,078
Gross profit	94,573	85,667	287,410	247,733	355,579	395,256
of which Netch	-	-	-	-5,903	-5,903	-
Sales costs	-43,881	-39,343	-130,736	-162,141	-212,011	-180,606
Administrative costs	-12,749	-13,342	-42,967	-50,739	-66,262	-58,490
Research and development costs	-27,054	-30,812	-89,641	-118,859	-151,052	-121,834
Items affecting comparability	-	-	-	-33,296	-33,296	-
Other operating income	886	-	5,951	-	-	5,951
Other operating expenses	-	-1,455	-	-4,425	-6,922	-2,497
Participation in associated companies before tax	-	-	-	158	158	-
Operating profit/loss	11,775	715	30,017	-121,569	-113,806	37,780
of which Netch	-	-	-	-30,521	-30,521	-
Net financial items	4,398	548	9,080	-5,561	-35,687	-21,046
Profit/loss after financial items	16,173	1,263	39,097	-127,130	-149,493	16,734
of which Netch	-	-	-	-31,691	-31,691	-
Tax on profit/loss for the period	-850	17,337	-8,112	40,327	48,445	6
Minority share in result for the period	-	-	-	10,941	10,941	-
Profit/loss for the period	15,323	18,600	30,985	-75,862	-90,107	16,740
Earnings per share before dilution (SEK)	0.22	0.27	0.45	-1.10	-1.31	0.24
Earnings per share after dilution (SEK)	0.22	0.27	0.45	-1.10	-1.31	0.24
Number of shares before dilution, average (000s)	68,900	68,900	68,900	68,900	68,900	68,900
Number of shares after dilution, average (000s)	68,998	68,943	68,998	68,900	68,900	68,998

Cash flow analysis

(SEK 000s)	Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001	Full year 2001	12 mos Oct. 01- Sept. 02
Cash flow from ongoing operations before change in operating capital	17,424	-1,188	35,673	-91,340	-80,502	46,511
Change in operating capital	-18,453	-13,372	-27,543	32,306	54,922	-4,927
Cash flow from ongoing operations	-1,029	-14,560	8,130	-59,034	-25,580	41,584
Cash flow from investment operations	-292	-1,122	-5,838	-18,763	-12,460	465
Cash flow from financing operations	-	-9,686	-49,075	20,968	22,820	-47,223
Cash flow for the period	-1,321	-25,368	-46,783	-56,829	-15,220	-5,174
Liquid funds on the opening date	135,311	164,532	180,773	195,993	195,993	139,164
Liquid funds on the closing date	133,990	139,164	133,990	139,164	180,773	133,990

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. Quarterly data for 2001 and 2002, see last page in this report.

(SEK 000s)	Q1 2002	Q2 2002	Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001	Full year 2001	12 mos Oct. 01- Sept. 02
Net sales	164,037	170,650	167,552	154,688	502,239	486,759	675,854	691,334
Cost of goods and services sold	-67,801	-74,049	-72,979	-69,021	-214,829	-233,123	-314,372	-296,078
Gross profit	96,236	96,601	94,573	85,667	287,410	253,636	361,482	395,256
Sales costs	-41,605	-45,250	-43,881	-39,343	-130,736	-154,062	-203,932	-180,606
Administrative costs	-14,937	-15,281	-12,749	-13,342	-42,967	-47,042	-62,565	-58,490
Research and development costs	-31,421	-31,166	-27,054	-30,812	-89,641	-118,859	-151,052	-121,834
Items affecting comparability	-	-	-	-	-	-20,296	-20,296	-
Other operating income	2,379	2,686	886	-	5,951	-	-	5,951
Other operating expenses	-	-	-	-1,455	-	-4,425	-6,922	-2,497
Operating profit/loss	10,652	7,590	11,775	715	30,017	-91,048	-83,285	37,780
Net financial items	3,007	1,675	4,398	548	9,080	-4,391	-34,517	-21,046
Profit/loss after financial items	13,659	9,265	16,173	1,263	39,097	-95,439	-117,802	16,734

Balance sheet

(SEK 000s)	Sept. 30 2002	Sept. 30 2001	Dec. 31 2001
Fixed assets	125,961	181,448	136,611
Inventories	61,268	46,244	46,628
Receivables from customers	87,400	91,864	106,339
Other receivables	29,004	20,800	18,828
Liquid funds	133,990	139,164	180,773
Total	437,623	479,520	489,179
Shareholders' equity	307,498	288,011	273,014
Provisions	7,936	22,740	16,125
Interest-bearing long-term liabilities	–	49,957	50,000
Non-interest-bearing current liabilities	122,189	118,812	150,040
Total	437,623	479,520	489,179

Key ratios

	Q3 2002	Q3 2001	Q1-Q3 2002	Q1-Q3 2001	Full year 2001
Net sales growth (%)	8.3 ¹⁾	–1.6 ¹⁾	3.2 ¹⁾	10.7 ¹⁾	5.3 ¹⁾
Gross margin (%)	56.4	55.4	57.2	48.8	51.1
Operating margin (%)	7.0	0.5	6.0	–24.0	–16.3
Profit margin (%)	9.7	0.8	7.8	–25.1	–21.5
Depreciation (SEK M)	19	19	17	19	19
Shareholders' equity (SEK M)	307	288	307	288	273
Capital employed (SEK M)	307	350	307	350	339
Interest-bearing liabilities (SEK M)	–	50	–	50	50
Net interest-bearing liabilities (SEK M)	–134	–89	–134	–89	–131
Total assets (SEK M)	438	480	438	480	489
Return on capital employed (%) ²⁾	19.9	2.4	16.4	–39.0	–26.8
Return on total capital (%) ²⁾	14.3	1.7	11.7	–28.1	–19.1
Return on shareholders' equity (%) ²⁾	15.7	1.9	12.6	–50.6	–45.8
Interest coverage ratio (multiple)	78.8	2.2	29.7	–11.4	–2.4
Net debt/equity ratio (multiple)	–0.4	–0.3	–0.4	–0.3	–0.5
Equity/assets ratio (%)	70.3	60.1	70.3	60.1	55.8
Proportion of risk-bearing capital (%)	72.1	62.3	72.1	62.3	57.4
Capital turnover rate (multiple) ²⁾	2.0	1.6	2.0	1.7	1.8
Number of employees (average for the period)	334	391	331	478	439
Sales per employee (SEK M) ²⁾	2.0	1.6	2.0	1.4	1.6
Operating result per employee (SEK M) ²⁾	0.1	0.0	0.1	–0.4	–0.3

¹⁾ Compared pro forma excl. Netch.

²⁾ Net sales and profit amounts have been translated to 12 months.

Per-share data

	Sept. 30 2002	Sept. 30 2001	Dec. 31 2001
Earnings per share (SEK)	0.45	–1.10	–1.31
Share price on closing date (SEK)	14.80	11.50	25.00
Dividend	–	–	–
P/E ratio	25	–	–
Number of shares outstanding (000s)	68,900	68,900	68,900

Quarterly data 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.

Invoiced sales by product group excl. Netch (SEK 000s) ^{1,2)}	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2001	2001	2001	2001	2002	2002	2002
Video	52,419	53,562	58,671	73,670	66,844	74,756	74,146
Print	80,821	75,326	70,562	81,828	71,184	74,044	72,554
Scan	8,211	7,904	5,781	3,281	3,574	3,425	2,704
Store	14,130	12,316	10,478	13,720	8,321	6,129	9,825
Access	1,062	677	1,273	2,146	848	3,087	801
Other	6,938	18,705	7,923	14,450	13,266	9,209	7,522
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650	167,552

Invoiced sales by region excl. Netch (SEK 000s) ²⁾	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2001	2001	2001	2001	2002	2002	2002
EMEA ²⁾	71,553	87,000	66,359	85,494	76,790	78,033	70,155
Americas	44,579	44,748	51,873	68,576	44,926	46,971	49,054
Asia	47,449	36,742	36,456	35,025	42,321	45,646	48,343
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650	167,552

Income statement (SEK 000s) ²⁾	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2001	2001	2001	2001	2002	2002	2002
Net sales	163,581	168,490	154,688	189,095	164,037	170,650	167,552
Cost of goods and services sold	-84,739	-79,363	-69,021	-81,249	-67,801	-74,049	-72,979
Gross profit	78,842	89,127	85,667	107,846	96,236	96,601	94,573
Sales costs	-53,417	-61,302	-39,343	-49,870	-41,605	-45,250	-43,881
Administrative costs	-17,038	-16,662	-13,342	-15,523	-14,937	-15,281	-12,749
Research and development costs	-38,250	-49,797	-30,812	-32,193	-31,421	-31,166	-27,054
Items affecting comparability	-	-20,296	-	-	-	-	-
Other operating income	-	-	-	-	2,379	2,686	886
Other operating expenses	-2,486	-484	-1,455	-2,497	-	-	-
Operating profit/loss	-32,349	-59,414	715	7,763	10,652	7,590	11,775
Net financial items	3,616	8,555	548	-30,126	3,007	1,675	4,398
Profit/loss for the period	-28,733	-50,859	1,263	-22,363	13,659	9,265	16,173

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.

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

Lund, October 17, 2002

Öhrlings PricewaterhouseCoopers AB

Anders Lundin, Authorized Public Accountant

Dan Andersson, Authorized Public Accountant

Future financial reports

Year-end financial statement February 12, 2003

Interim report January–March April 22, 2003

The Annual Report for 2001 is available on Axis Web site,
www.axis.com/corporate/investor/financial_reports.htm

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