

Interim Report January–June 2003

Continued restrained market

- Group net sales for the six-month period amounted to SEK 305 M (335).
- Operating loss amounted to SEK 4 M (profit: 18).
- Profit after tax totaled SEK 3 M (16).
- Profit per share amounted to SEK 0.05 (0.23).
- Continued sales growth in the Video product area.
- Long-term profit and growth targets revised.

About Axis. *Axis increases the value of network solutions. The company is an innovative market leader in network video and print servers. Axis' products and solutions are focused on applications such as security surveillance, remote monitoring and document management. The products are based on in-house developed chip technology, which is also sold to third parties. Axis was founded in 1984 and is listed on the Stockholmsbörsen (XSSE:AXIS). Axis operates globally with offices in 14 countries and in cooperation with distributors, system integrators and OEM partners in 70 countries. Markets outside Sweden account for more than 95 % of sales. Information about Axis can be found at www.axis.com*

Sales

Axis' net sales during the first six months of the year amounted to SEK 305 M (335), a decline of 9 percent compared with the year-earlier period. The overall sales trend was dominated by a continued weak U.S. dollar and a restrained market in which demand was sluggish. Currency effects during the period impacted net sales negatively in the amount of SEK 40 M.

The Video product area once again defied the weak market, reporting a sales growth of 15 percent compared with the year-earlier period. This growth – which, in the important U.S. market, was 28 percent in U.S. dollars – continues to be driven by the technology shift from analog to digital solutions. Video accounted for 53 percent of total sales during the first six months.

Sales during the second quarter of the year totaled SEK 153 M (171). The negative sales trend for Print, Scan and Store remains. The slowdown in demand is mainly noticeable in Scan and Store. Several important markets were overshadowed by the uncertain economic development, which has led to a continued cautious approach and low level of investment interest among many customers.

Despite the restrained market situation, Axis has continued to expand its network of strategic partners and its sales activities, which have created the conditions for the development of new markets.

OEM sales accounted for 20.1 percent of total sales during the second quarter, compared with 24.7 percent during the year-earlier period. The strategic activities to develop the OEM sales of Video are proceeding according to plan.

Operating profit

The Group's operating loss during the first six months amounted to SEK 4 M (profit: 18).

The operating margin was negative 1.2 percent (positive: 5.5) and the profit after financial items amounted to SEK 2 M (profit: 23). Currency effects had a positive impact of SEK 4 M on operating profit for the period. The gross margin amounted to 53.3 percent (57.6). As was the case at the beginning of the period, the gross margin continued to be affected by lower revenues from customer-specific development work.

The operating loss for the second quarter amounted to SEK 4 M (profit: 8) and the gross margin amounted to 52.8 percent (56.6).

Cash flow and financial position

Cash flow from operating activities during the period amounted to a negative SEK 7 M. Net investments amounted to SEK 9 M. Axis applies recommendation RR15 of the Swedish Financial Accounting Standards Council and, in accordance with this, SEK 6 M in development costs were capitalized during the period. Axis has SEK 107 M in liquid funds and unutilized credit facilities totaling SEK 130 M. Accordingly, the company's total payment capacity as at June 30, 2003 amounted to SEK 237 M.

Shareholders' equity

The Group's shareholders' equity amounts to SEK 306 M. Of the changes during the period, SEK 3 M is attributable to the results for the period and SEK 10 M to a dividend to shareholders. The total number of shares at the close of the period was 68,900,000. After full exercise of the outstanding warrants, the number of shares totals 71,421,300. The Group's equity/assets ratio at June 30, 2003 was 74 percent.

Business development

The efforts to strengthen Axis' position in the Video product area have continued in line with the overall strategy. New partners have been added to Axis' developer program. At the same time, cooperation has been initiated with more systems integrators and distributors. Several strategic orders were also signed in prioritized customer segments, including more airports, banks and schools. Interest also continues to grow among public sector authorities. During the period, New York's Court System installed an advanced system for remote monitoring, with an order value of approximately SEK 2 M for Axis.

In conjunction with the IFSEC international security show in May, the interest in Axis video products was greater than ever. Although the technology shift is still in its early phase, the picture of the future market potential was strengthened, as was the acceptance of digitally based security solutions by new players at the show. A notable company among these was IBM, which is now focusing on integrated system solutions for surveillance and access control systems.

During the second quarter, the OEM cooperation with Canon was also developed in the U.S. market. Axis supplied customized print servers with an initial order value of SEK 2 M. The servers are designed for a series of photocopiers and printers aimed at small businesses. This opens up a broader market for the print servers.

Financial targets

In connection with its stock market listing in 2000, financial targets were established for Axis. The growth target for the period prior to 2005 was to increase sales by an average of 30 percent per year and to achieve a pretax margin of 10 to 15 percent by 2003 at the latest. The company has since changed its operational focus and has been affected by a weak economy. In conjunction with

the Interim Report, the Board of Axis has decided to revise the goal, which is now to achieve, by 2005 at the latest, the above profit target, as well as a growth of 30 percent and an equity/assets ratio of no less than 50 percent.

Prospects for the second half of 2003

The economic signals from several markets continue to indicate a slow recovery. At the same time, much points to IT investments remaining cautious. However, this does not affect Axis' aggressive focus on both product development and stronger positions in Video. The assessment of substantial, long-term growth potential for Video remains unchanged. Axis' goal is to achieve an operating profit for the full year 2003.

Accounting principles

This interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim Reports. The accounting principles and methods of calculation are the same as those applied in the most recent Annual Report, with the addition of the Council's published recommendations that came into effect as of January 1, 2003.

The company's segment comprises one operating sector.

Parent Company

The Parent Company's operations are focused primarily on Group-wide administration. The Parent Company has no employees. The operating loss amounted to SEK 1 M. Liquid funds amounted to SEK 36 M and total borrowing amounted to SEK 0.

Lund, July 10, 2003

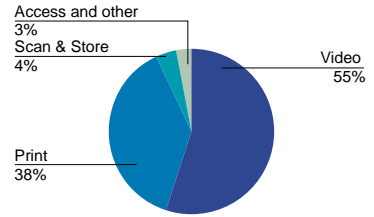
Ray Mauritsson
President and CEO

Invoiced sales by product group (SEK 000s)	Q1 2003	Q2 2003	Q2 2002	Q1-Q2 2003	Q1-Q2 2002
Video	78,849	84,522	74,756	163,371	141,600
Print	60,796	57,795	74,044	118,591	145,228
Scan	3,042	2,047	3,425	5,089	6,999
Store	5,512	3,415	6,129	8,927	14,450
Access	338	573	3,087	911	3,935
Other	4,014	4,536	9,209	8,550	22,475
TOTAL	152,551	152,888	170,650	305,439	334,687

Invoiced sales by region (SEK 000s)	Q1 2003	Q2 2003	Q2 2002	Q1-Q2 2003	Q1-Q2 2002
EMEA	72,859	75,577	78,033	148,436	154,823
Americas	42,137	41,198	46,971	83,335	91,897
Asia	37,555	36,113	45,646	73,668	87,967
TOTAL	152,551	152,888	170,650	305,439	334,687

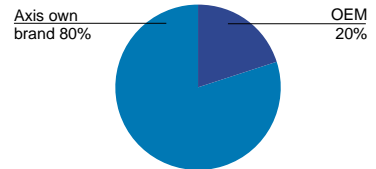
Income statement in brief (SEK 000s)	Q1 2003	Q2 2003	Q2 2002	Q1-Q2 2003	Q1-Q2 2002
Net sales	152,551	152,888	170,650	305,439	334,687
Gross profit	81,949	80,783	96,601	162,732	192,837
Gross margin	53.7%	52.8%	56.6%	53.3%	57.6%
Operating profit/loss	555	-4,290	7,590	-3,736	18,242
Operating margin	0.4%	-2.8%	4.4%	-1.2%	5.5%
Profit/loss after financial items	2,656	-657	9,265	1,998	22,924

INVOICED SALES BY PRODUCT GROUP Q2, 2003



Video is the largest product area of the Axis Group, and demand for network cameras and video servers continues to increase.

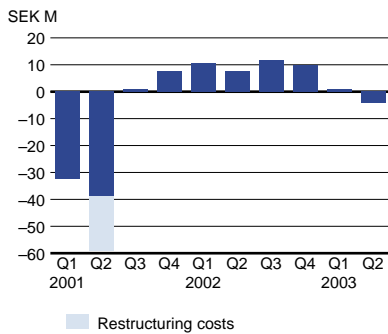
SALES BRANDED PRODUCTS/OEM Q2, 2003



The percentage of OEM sales declined, accounting for 20% (25) of total sales during the quarter.

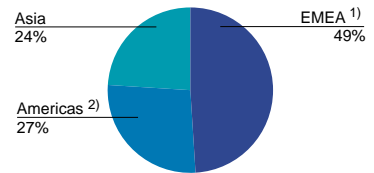
Quarterly data for 2001-2003, see last page in this report.

OPERATING PROFIT/LOSS (EBIT) Axis excl. Netch



Operating profit during the second quarter of 2003 was affected by reduced sales due to the continued restrained market conditions.

INVOICED SALES BY REGION Q2, 2003



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

Compared with the preceding quarter, sales increased in EMEA but declined slightly in Asia.

Income statement

	Q2	Q2	Q1-Q2	Q1-Q2	Full year	12 mos. July 02- June 03
(SEK 000s)	2003	2002	2003	2002	2002	
Net sales	152,888	170,650	305,439	334,687	670,277	641,029
Cost of goods and services sold	-72,105	-74,049	-142,707	-141,850	-286,270	-287,127
Gross profit	80,783	96,601	162,732	192,837	384,007	353,902
Sales costs	-42,351	-45,250	-84,471	-86,855	-177,522	-175,138
Administrative costs	-10,858	-15,281	-22,270	-30,218	-56,334	-48,386
Research and development costs	-31,138	-31,166	-61,065	-62,587	-117,847	-116,325
Other operating income and expenses	-726	2,686	1,338	5,065	7,354	3,627
Operating profit	-4,290	7,590	-3,736	18,242	39,658	17,680
Net financial items	3,633	1,675	5,734	4,682	11,778	12,830
Profit after financial items	-657	9,265	1,998	22,924	51,436	30,510
Tax	-403	-5,509	1,153	-7,262	-15,581	-7,166
Profit for the period	-1,060	3,756	3,151	15,662	35,855	23,344
Earnings per share before dilution (SEK)	-0.02	0.05	0.05	0.23	0.52	0.34
Earnings per share after dilution (SEK)	-0.02	0.05	0.05	0.23	0.52	0.34
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)	68,900	68,959	68,906	68,959	68,985	68,906

Cash flow analysis

	Q2	Q2	Q1-Q2	Q1-Q2	Full year	12 mos. July 02- June 03
(SEK 000s)	2003	2002	2003	2002	2002	
Cash flow from ongoing operations before change in operating capital	-3,454	7,845	-220	18,249	45,819	27,350
Change in operating capital	-3,249	-4,129	-7,231	-9,090	-39,006	-37,147
Cash flow from ongoing operations	-6,703	3,716	-7,451	9,159	6,813	-9,797
Cash flow from investment operations	-5,063	-3,889	-8,697	-5,546	-15,404	-18,555
Cash flow from financing operations	-7,969	-49,075	-7,304	-49,075	-42,226	-455
Cash flow for the period	-19,735	-49,248	-23,452	-45,462	-50,817	-28,807
Liquid funds on the opening date	126,239	184,559	129,956	180,773	180,773	135,311
Liquid funds on the closing date	106,504	135,311	106,504	135,311	129,956	106,504

Balance sheet

	June 30	June 30	Dec. 31
(SEK 000s)	2003	2002	2002
Fixed assets	127,223	129,936	122,434
Inventories	59,632	49,607	57,994
Receivables from customers	86,784	80,563	88,385
Other receivables	33,442	36,265	31,714
Liquid funds	106,504	135,311	129,956
Total	413,585	431,682	430,483
Shareholders' equity	305,514	290,844	312,532
Provisions	2,134	9,537	3,826
Non-interest-bearing current liabilities	105,937	131,301	114,125
Total	413,585	431,682	430,483

Key ratios

	Q2 2003	Q2 2002	Q1-Q2 2003	Q1-Q2 2002	Full year 2002
Net sales growth (%)	-10.4	1.3 ¹⁾	-8.7	0.8 ¹⁾	-0.8 ¹⁾
Gross margin (%)	52.8	56.6	53.3	57.6	57.3
Operating margin (%)	-2.8	4.4	-1.2	5.5	5.9
Profit margin (%)	-0.4	5.4	0.7	6.8	7.7
Depreciation (SEK M)	10	14	9	15	14
Shareholders' equity (SEK M)	306	291	306	291	313
Capital employed (SEK M)	302	292	302	292	311
Interest-bearing liabilities (SEK M)	-	-	-	-	-
Net interest-bearing liabilities (SEK M)	-107	-135	-107	-135	-130
Total assets (SEK M)	414	432	414	432	430
Return on capital employed (%)	-0.7	12.1	1.5	15.1	16.5
Return on total capital (%)	-0.5	8.2	1.1	10.1	11.7
Return on shareholders' equity (%)	-0.8	9.6	0.9	11.8	12.6
Interest coverage ratio (multiple)	-3.9	22.4	8.7	20.8	24.0
Net debt/equity ratio (multiple)	-0.3	-0.5	-0.3	-0.5	-0.4
Equity/assets ratio (%)	73.9	67.4	73.9	67.4	72.8
Proportion of risk-bearing capital (%)	75.2	69.2	75.2	69.2	73.9
Capital turnover rate (multiple)	2.0	2.1	2.0	2.1	2.1
Number of employees (average for the period)	362	332	360	329	334
Sales per employee (SEK M)	1.7	2.1	1.7	2.0	2.0
Operating result per employee (SEK M)	0.0	0.1	0.0	0.1	0.1

¹⁾ Compared pro forma excl. Netch.

Per-share data

	June 30 2003	June 30 2002	Dec. 31 2002
Share price on closing date (SEK)	14.70	17.60	18.40
Proposed dividend (SEK)	0.15	-	-
P/E ratio	321	81	35
Number of shares outstanding (000s)	68,900	68,900	68,900

Quarterly data

Invoiced sales by product group excl. Netch (SEK 000s) ^{1) 2)}	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003
Video	52,419	53,562	58,671	73,670	66,844	74,756	74,146	85,730	78,849	84,522
Print	80,821	75,326	70,562	81,828	71,184	74,044	72,554	60,152	60,796	57,795
Scan	8,211	7,904	5,781	3,281	3,574	3,425	2,704	3,379	3,042	2,047
Store	14,130	12,316	10,478	13,720	8,321	6,129	9,825	7,829	5,512	3,415
Access	1,062	677	1,273	2,146	848	3,087	801	1,059	338	573
Other	6,938	18,705	7,923	14,450	13,266	9,209	7,522	9,889	4,014	4,536
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650	167,552	168,038	152,551	152,888

Invoiced sales by region excl. Netch (SEK 000s) ²⁾	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003
EMEA	71,553	87,000	66,359	85,494	76,790	78,033	70,155	90,925	72,859	75,577
Americas	44,579	44,748	51,873	68,576	44,926	46,971	49,054	39,229	42,137	41,198
Asia	47,449	36,742	36,456	35,025	42,321	45,646	48,343	37,884	37,555	36,113
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650	167,552	168,038	152,551	152,888

Income statement pro forma (SEK 000s) ²⁾	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003
Net sales	163,581	168,490	154,689	189,095	164,037	170,650	167,552	168,038	152,551	152,888
Cost of goods and services sold	-84,739	-79,363	-69,021	-81,249	-67,801	-74,049	-72,979	-71,441	-70,602	-72,105
Gross profit	78,842	89,127	85,668	107,846	96,236	96,601	94,573	96,597	81,949	80,783
Sales costs	-53,417	-61,302	-39,343	-49,870	-41,605	-45,250	-43,881	-46,786	-42,119	-42,351
Administrative costs	-17,038	-16,662	-13,342	-15,523	-14,937	-15,281	-12,749	-13,367	-11,412	-10,858
Research and development costs	-38,250	-49,797	-30,812	-32,193	-31,421	-31,166	-27,054	-28,206	-29,927	-31,138
Items affecting comparability	-	-20,296	-	-	-	-	-	-	-	-
Other operating income	-	-	-	-	2,379	2,686	886	1,403	2,064	-
Other operating expenses	-2,486	-484	-1,455	-2,497	-	-	-	-	-	-726
Operating profit/loss	-32,349	-59,414	715	7,763	10,652	7,590	11,775	9,641	555	-4,290
Net financial items	3,616	-8,555	548	-30,126	3,007	1,675	4,398	2,698	2,101	3,633
Profit/loss for the period	-28,733	-67,969	1,263	-22,363	13,659	9,265	16,173	12,339	2,656	-657

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 by product group for 2001.

²⁾ During the second quarter of 2001, Axis completed a restructuring that included the sale of its 59 percent holding in Netch Technologies. The tables above show pro forma figures for Q1 and Q2 2001 in which Netch is excluded. Netch, which was previously reported in the EMEA region, is not included in the Group as of Q3, 2001.

This interim 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 interim report does not comply with the requirements of the Securities and Clearing Operations Act and the Accounts Act.

Lund, July 10, 2003

Öhrlings PricewaterhouseCoopers AB

Anders Lundin, Authorized Public Accountant Dan Andersson, Authorized Public Accountant
Senior Auditor

Future financial reports

Interim report January–September October 21, 2003
Year-end report 2003 February 12, 2004

The Annual Report for 2002 is available
on Axis' Web site, www.axis.com/corporate/investor/financial_reports.htm

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