

Interim Report, January–June 2004

Growth in Video generates positive profit trend

- Net sales during the period amounted to SEK 320 M (305).
- Operating profit amounted to SEK 2 M (loss: 4).
- Profit before tax amounted to SEK 7 M (2).
- Profit after tax amounted to SEK 7 M (3).
- Earnings per share were SEK 0.11 (0.05).
- The growth trend in Video continued, +30 percent.

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

During the period January-June 2004, Axis' net sales rose by 5 percent to SEK 320 M (305). Of total sales, SEK 212 M was generated by the Video product area, which showed growth in sales of 30 percent compared with the year-earlier period. Currency effects had a negative impact on sales of SEK 19 M.

Sales for the second quarter amounted to SEK 168 M (153), an increase of 10 percent compared with the same quarter last year.

The Video product area continues to develop very positively. Sales progress was noted in all regions and growth during the second quarter amounted to 36 percent compared with same quarter last year. Contributory factors include the favorable reception of newly launched products, new strategic cooperation agreements and a strong customer influx in keeping with increased market interest in IP-based video surveillance. During the second quarter, Video accounted for 69 percent of Axis' total sales.

Sales for the Print product area during the second quarter fell by 21 percent compared with the year-earlier period. Demand improved somewhat compared with the first quarter. Several factors still suggest that the market trend for this mature product area will remain subdued, with the exception of simpler products for small businesses and home users.

OEM sales and the number of customer-specific development projects were affected by continued restraint. OEM accounted for 15 percent (20) of Axis' total sales during the second quarter.

Operating profit

The Group's operating profit for the period January-June 2004 improved to SEK 2 M (loss: 4), corresponding to an operating margin of 0.6 percent (negative: 1.2). Profit after financial items amounted to SEK 7 M (2). The result after tax was SEK 7 M (3). Currency effects had no significant impact on operating profit. The gross margin amounted to 50.5 percent (53.3). Since the start of the period,

the gross margin has improved from 49.3 percent in the first quarter to 51.7 percent in the second quarter. During the second quarter, operating earnings rose by SEK 12 M, compared with the year-earlier period, amounting to an operating profit of SEK 8 M (loss: 4). This corresponds to an operating margin of 4.7 percent (negative: 2.8).

Cash flow and financial position

Cash flow from operating activities amounted to a negative SEK 13 M (negative: 7). Net investments totaled SEK 8 M (9). In accordance with the Swedish Financial Accounting Standards Council's recommendation RR15 applied by Axis, development costs amounting to SEK 7 M were capitalized during the period. The increased inventories during the period are attributable to the ongoing renewal of the product portfolio. Axis had SEK 85 M in liquid funds and unutilized credit facilities totaling SEK 80 M, resulting in total available disposable funds of SEK 165 M as per June 30, 2004.

Shareholders' equity

The Group's shareholders' equity amounted to SEK 307 M. The change during the period is attributable entirely to the profit for the period. The total number of shares on the closing date was 68,900,000. After full exercise of all outstanding warrants, the number of shares totals 71,421,300. The Group's equity/assets ratio at June 30, 2004 was 69 percent (74).

Business development

During the second quarter, Axis continued the renewal of its product portfolio. At the international security trade fair IFSEC in Birmingham, five new products were launched, which attracted extensive interest from traditional and new players in the security and surveillance industry. By the end of the second quarter, eight products with the new ARTPEC-2 video chip had been introduced.

In conjunction with the new video products, a wireless print server was also launched to meet

demand for simple, cost-effective products from small businesses and home users.

Cooperation with Honeywell was broadened. Axis was designated as a strategic supplier of network video products for installations in several market segments, including public administration, healthcare, transport and education. In addition, Axis received a significant order from Honeywell Ltd for 800 video servers, which will form an integrated part of a surveillance system for the expanding rail network in Western Australia.

In June, Axis began a global cooperation with Securitas regarding IP-based surveillance. The cooperation is of great strategic importance and means that Securitas' Systems Division will offer Axis' network products to its global customer base, which, to date, has primarily used analog surveillance technology.

Development during the second half of 2004

Axis' positive view of the long-term trend, and its evaluation of Video's strong growth potential, remain unchanged. The development in the Print product area is expected to continue to be restrained. Axis' goal of achieving profitable growth during 2004 is unchanged.

Accounting principles

The 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 regard to the Swedish Financial Accounting Standards Council's recommendation RR29, Employee Benefits, the Axis Group has pension undertakings that are partly defined benefit, but due to, among other factors, equalization in the insurance companies, these pension plans, which include several employers, are so-called multi-employer plans. Adequate information from the insurance companies is currently not available to be able to report the

undertaking as a defined benefit undertaking. Consequently, these plans are reported as if they were defined contribution. 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 (loss: 1). Liquid funds amounted to SEK 45 M (SEK 0 at January 1, 2004) and total borrowing amounted to SEK 0 (SEK 0 at January 1, 2004). Investments during the first half of the year was 0 (0).

Future Financial Reports

Nine-month interim report: October 15, 2004
Year-end report for 2004: February 9, 2005

Lund, July 9, 2004

Ray Mauritsson
President and CEO

Audit review

This interim report has been reviewed in accordance with the recommendations issued by 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 Annual Accounts Act.

Lund, July 9, 2004

Öhrlings PricewaterhouseCoopers AB

Anders Lundin, Authorized Public Accountant
Senior Auditor

Dan Andersson, Authorized Public Accountant

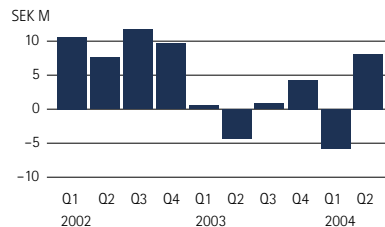
Invoiced sales by product group, (SEK 000s)	Q1 2004	Q2 2004	Q2 2003	Q1-Q2 2004	Q1-Q2 2003
Video	96,744	115,193	84,522	211,937	163,371
Print	43,053	45,832	57,795	88,885	118,591
Scan	1,871	935	2,047	2,806	5,089
Store	3,025	1,936	3,415	4,961	8,927
Access	3,428	265	573	3,693	911
Other	3,948	3,413	4,536	7,361	8,550
TOTAL	152,069	167,574	152,888	319,643	305,439

Invoiced sales by region (SEK 000s)	Q1 2004	Q2 2004	Q2 2003	Q1-Q2 2004	Q1-Q2 2003
EMEA	78,058	81,019	75,577	159,077	148,436
Americas	39,713	55,127	41,198	94,840	83,335
Asia	34,298	31,428	36,113	65,726	73,668
TOTAL	152,069	167,574	152,888	319,643	305,439

Income statement in brief, (SEK 000s)	Q1 2004	Q2 2004	Q2 2003	Q1-Q2 2004	Q1-Q2 2003
Net sales	152,069	167,574	152,888	319,643	305,439
Gross profit	74,915	86,585	80,783	161,500	162,732
Gross margin	49.3%	51.7%	52.8%	50.5%	53.3%
Operating profit/loss	-5,942	7,885	-4,290	1,943	-3,736
Operating margin	-3.9%	4.7%	-2.8%	0.6%	-1.2%
Profit/loss after financial items	-1,644	9,001	-657	7,357	1,998

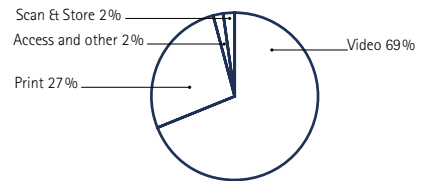
Quarterly data for 2002-2004 given on the last page of this report.

OPERATING PROFIT/LOSS (EBIT)



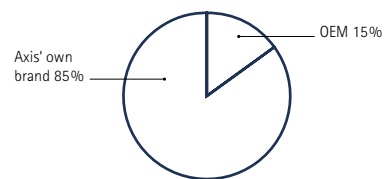
Operating profit for the second quarter of 2004 improved by SEK 12 M to SEK 8 M, compared with the corresponding period a year earlier.

INVOICED SALES BY PRODUCT GROUP, Q2 2004



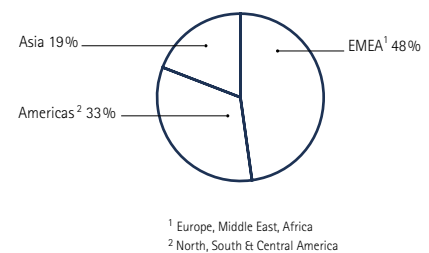
Video is Axis' largest product area, and the demand for network cameras and video servers continues to increase.

SALES BRANDED PRODUCTS/OEM, Q2 2004



OEM sales accounted for 15% (20) of total sales for the quarter.

INVOICED SALES BY REGION, Q2 2004



¹ Europe, Middle East, Africa
² North, South & Central America

Compared with the second quarter of 2003, both EMEA and Americas show increased sales.

Income statement

(SEK 000s)	Q2 2004	Q2 2003	Q1-Q2 2004	Q1-Q2 2003	Full year 2003	12 months July 03- June 04
Net sales	167,574	152,888	319,643	305,439	623,637	637,841
Cost of goods and services sold	-80,989	-72,105	-158,143	-142,707	-301,906	-317,342
Gross profit	86,585	80,783	161,500	162,732	321,731	320,499
Sale costs	-39,563	-42,351	-77,832	-84,471	-165,062	-158,423
Administrative costs	-10,001	-10,858	-21,440	-22,270	-44,766	-43,936
Research and development costs	-28,855	-31,138	-57,195	-61,065	-111,982	-108,112
Other operating income and expenses	-281	-726	-3,090	1,338	1,221	-3,207
Operating profit	7,885	-4,290	1,943	-3,736	1,142	6,821
Net financial items	1,116	3,633	5,414	5,734	7,183	6,863
Profit after financial items	9,001	-657	7,357	1,998	8,324	13,683
Tax	-1,984	-403	-93	1,153	-10,900	-12,146
Profit for the period	7,017	-1,060	7,264	3,151	-2,576	1,537
Earnings per share before dilution (SEK)	0.10	-0.02	0.11	0.05	-0.04	0.02
Earnings per share after dilution (SEK)	0.10	-0.02	0.11	0.05	-0.04	0.02
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	68,900	68,900	68,906	68,900	68,900

Cash flow analysis

(SEK 000s)	Q2 2004	Q2 2003	Q1-Q2 2004	Q1-Q2 2003	Full year 2003	12 months July 03- June 04
Cash flow from ongoing operations before change in operating capital	8,808	-3,454	4,486	-220	15,279	19,985
Change in operating capital	-10,341	-3,249	-17,587	-7,231	-17,119	-27,475
Cash flow from ongoing operations	-1,533	-6,703	-13,101	-7,451	-1,840	-7,490
Cash flow from investment operations	-1,787	-5,063	-8,021	-8,697	-28,462	-27,786
Cash flow from financing operations	-941	-7,969	3,588	-7,304	3,324	14,216
Cash flow for the period	-4,261	-19,735	-17,534	-23,452	-26,978	-21,060
Liquid funds on the opening date	89,705	126,239	102,978	129,956	129,956	106,504
Liquid funds on the closing date	85,444	106,504	85,444	106,504	102,978	85,444

Balance sheet

(SEK 000s)	2004-06-30	2003-06-30	2003-12-31
Fixed assets	134,471	127,223	131,785
Inventories	76,703	59,632	67,074
Receivables from customers	115,781	86,784	94,078
Other receivables	33,495	33,442	37,656
Liquid funds	85,444	106,504	102,978
Total	445,894	413,585	433,571
Shareholders' equity	307,408	305,514	300,324
Provisions	7,262	2,134	7,081
Long term receivables	9,272	-	10,200
Current receivables	121,952	105,937	115,966
Total	445,894	413,585	433,571

Key ratios ¹

	Q2 2004	Q2 2003	Q1-Q2 2004	Q1-Q2 2003	Full year 2003
Net sales growth (%)	9.6	-10.4	4.7	-8.7	-7.0
Gross margin (%)	51.7	52.8	50.5	53.3	51.6
Operating margin (%)	4.7	-2.8	0.6	-1.2	0.2
Profit margin (%)	5.4	-0.4	2.3	0.7	1.3
Depreciation (SEK M)	10	10	11	9	9
Shareholders' equity (SEK M)	307	306	307	306	300
Capital employed (SEK M)	322	302	322	302	315
Interest-bearing liabilities (SEK M)	9	-	9	-	10
Net interest-bearing liabilities (SEK M)	-76	-107	-76	-107	-93
Total assets (SEK M)	446	414	446	414	434
Return on capital employed (%)	11.5	-0.7	4.9	1.5	2.9
Return on total capital (%)	8.3	-0.5	3.6	1.1	2.1
Return on shareholders' equity (%)	8.5	-0.8	3.5	0.9	2.0
Interest coverage ratio (multiple)	56.2	-3.9	22.0	8.7	13.8
Net debt/equity ratio (multiple)	-0.2	-0.3	-0.2	-0.3	-0.3
Equity/assets ratio (%)	68.9	73.9	68.9	73.9	69.3
Proportion of risk-bearing capital(%)	69.4	75.2	69.4	75.2	69.9
Capital turnover rate (multiple)	2.1	2.0	2.0	2.0	2.0
Number of employees (average for the period)	342	362	342	360	356
Sales per employee (SEK M)	2.0	1.7	1.9	1.7	1.8
Operating result per employee (SEK M)	0.1	0.0	0.0	0.0	0.0

Per-share data ¹

	2004-06-30	2003-06-30	2003-12-31
Share price on closing date (SEK)	14.50	14.70	17.00
Proposed dividend (SEK)	-	- ²	0.15 ²
P/E ratio	69	147	neg
Number of shares outstanding (000s)	68,900	68,900	68,900

¹ Where necessary, key ratios, as in earlier reports, have been adjusted to 12 months.

² Dividends of SEK 0.15 per share for the year 2002 was paid in 2003.

Quarterly data

Invoiced sales by product group (000s)	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004
Video	66,844	74,756	74,146	85,730	78,849	84,522	88,040	104,817	96,744	115,193
Print	71,184	74,044	72,554	60,152	60,796	57,795	54,063	46,932	43,053	45,832
Scan	3,574	3,425	2,704	3,379	3,042	2,047	2,232	3,033	1,871	935
Store	8,321	6,129	9,825	7,829	5,512	3,415	5,154	4,285	3,025	1,936
Access	848	3,087	801	1,059	338	573	850	292	3,428	265
Other	13,266	9,209	7,522	9,889	4,014	4,536	4,424	4,076	3,948	3,413
TOTAL	164,037	170,650	167,552	168,038	152,551	152,888	154,763	163,435	152,069	167,574

Invoiced sales by region (000s)	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004
EMEA	76,790	78,033	70,155	90,925	72,859	75,577	74,378	85,525	78,058	81,019
Americas	44,926	46,971	49,054	39,229	42,137	41,198	45,592	43,478	39,713	55,127
Asia	42,321	45,646	48,343	37,884	37,555	36,113	34,793	34,432	34,298	31,428
TOTAL	164,037	170,650	167,552	168,038	152,551	152,888	154,763	163,435	152,069	167,574

The Annual Report for 2003 is available on Axis' Web site,
www.axis.com/corporate/investor/financial_reports.htm

Further information is available from the President, Ray Mauritsson, tel: +46-46 272 18 00,
 or Anne Rhenman, Director, Investor Relations & Corporate Communications, tel: +46-708 90 18 29



Axis AB · Emdalavägen 14
 SE-223 69 Lund, Sweden
www.axis.com
 Corp. Reg.No.: 556241-1065