

Interim report January–March 2005

Continued growth within Video

- Net sales amounted during the period to SEK 175 M (152).
- Operating profit amounted to SEK 14 M (loss: 5).
- Profit before tax was SEK 14 M (loss: 5).
- Profit after tax totaled SEK 12 M (loss: 4).
- Earnings per share amounted to SEK 0.18 (loss: 0.05).

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 Stockholm Stock Exchange (XSSE:AXIS). Axis operates globally with offices in 16 countries and in cooperation with distributors, system integrators 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.*

Sales

Axis' net sales amounted to SEK 175 M (152) during the period, up 15 percent compared with the preceding year. Currency effects impacted negatively on sales in the amount of SEK 7 M.

The positive development with the Axis' Video product area continues. Sales in the product area amounted during the first quarter to SEK 130 M (97), corresponding to sales growth of 35 percent compared with the corresponding period a year earlier. Video products now account for 75 percent of Axis' total sales. The Print product area continued to perform weakly despite sales in the quarter being positively affected by strong OEM sales in Asia. OEM sales during the period accounted for 18 percent of Axis' total sales. The strongest total growth during the period was noted in the Americas region.

Operating profit

Consolidated operating profit amounted to SEK 14 M (loss: 5), corresponding to an operating margin of 8.0 percent (neg: 3.5) for the first quarter. Exchange rate movement had no significant effect on operating profit during the period. Profit before tax amounted to SEK 14 M (loss: 5) and profit after tax was SEK 12 M (loss: 4). Operating margin amounted to 52.4 percent (49.3).

Cash flow and financial position

Cash flow from current operations amounted to SEK 31 M. Net investments totaled SEK 5 M. Capitalized development costs totaled SEK 4 M in the period. Axis has SEK 146 M in liquid funds and unutilized credit facilities of SEK 80 M. Accordingly, the company has SEK 226 M in disposable funds on March 31, 2005.

Shareholders' equity

The Group's shareholders' equity amounts to SEK 357 M. Changes during the period and the transition to IFRS is reported in separate tables. The total number of shares at the end of the period was

68,900,000. After full exercise of warrants outstanding, the number of shares amounts to 70,851,300. The Group's equity/assets ratio was 71.9 percent on March 31, 2005.

(SEK 000s)	Share capital	Restricted reserves	Exchange rate differences	Unrestricted shareholders' equity	Total shareholders' equity
Opening balance, IFRS January 1, 2005	689	267 361	8 456	66 901	343 408
Transfers between non-restricted and restricted shareholders' equity	-	15 226	-	-15 226	-
Currency effects	-	-	1 558	-	1 558
Other adjustments	-	-	-	-102	-102
Net profit for the period	-	-	-	12 344	12 344
Closing balance March 31, 2005	689	282 587	10 014	63 918	357 208

Significant events during the first quarter

During the first quarter, Axis continued work to strengthen its position on the market, primarily within network video solutions through offering an expanded product portfolio with products based on internally developed chips and sales through distributors, integrators and resellers.

The renewal of the product portfolio is proceeding as planned. The year began with the launch of the Axis 211A, a network camera, which features support for two-way audio, followed by the Axis Day & Night, an advanced camera for surveillance in daylight and darkness. Three new video servers complemented the already strong product offering. An updated version, featuring a large number of language versions, of the Axis video application, Axis Camera Station (ACS), was launched during the period.

In addition to a number of aggressive investments in sales and distribution, cooperation with new partners was established. Among other actions, Axis has initiated cooperation with HID, a company within the Assa Abloy Group and leading global manufacturer of contactless card reader systems. The aim of the cooperation is to create the industry's first common open standard for integrated network video and access control systems.

Parallel with development of sales channels, Axis has successfully participated in a number of international trade shows: IIPEC in the UK, CeBit in Germany, ISC West in the US and Secutech Expo in Taiwan. The interest in network video solutions and Axis' expanded product portfolio was substantial worldwide.

Axis' strong market position was confirmed with the award "2005 Market Leadership Award" within network video from the international market survey company Frost & Sullivan. In addition, Axis was identified as market leader in network video by the analysis and consulting firm J.P. Freeman Co. Inc. in their report on the networked and IP-based video market for 2005.

Development during 2005

Axis' positive view of the long-term growth potential in the video market remains. During the year, Axis will continue to focus on product launches and further development of partnerships. In the Video product area, Axis will defend its leading position and grow with the market. The market for printer solutions should be considered mature and limits the expectations on sales in the Print product area.

Transition to International Financial Reporting Standards (IFRS)

As of January 1, 2005, Axis prepares its consolidated accounting in accordance with IFRS. The interim report for the first quarter of 2005 is the first that the company is presenting in accordance with IFRS. To and including 2004, Axis has applied the Swedish Financial Accounting Standards Council's recommendations and statements. The transition to IFRS is reported in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", whereby the transition date is January 1, 2004. IFRS 1 prescribes that the comparison year shall be reported in accordance with IFRS. Financial information pertaining to earlier than 2004 is not restated. To evaluate the effect of the transition

to IAS, now IFRS, a project group was organized already in 2002 under the leadership of the Group controller supported by the company's auditors, identified significant effects have been reported to Group management and the Board.

Although the recommendations of the Swedish Financial Accounting Standards Council have been successively adapted to IFRS, some of differences remained that affect Axis' financial statements of the first quarter in 2005. The differences between Axis' accounting principles applied in accordance with the Swedish Financial Accounting Standards Council's recommendations at December 31, 2004 and IFRS are the following:

Financial Instruments: Recognition and Measurement (IAS 39). The effects on the opening balance pertaining to IAS 39 are reported in a separate table in this report. Reporting in accordance with IAS 39 has been applied from and including January 1, 2005.

Axis holds financial assets that were formerly valued at the accrued acquisition value. In accordance with IAS 39, these assets are to be recognized at fair value. As a consequence, shareholders' equity at January 1, 2005 was adjusted by SEK 2.3 M. As of 2005, the value changes in these assets will be reported in the income statement since these are classified as financial assets valued at fair value in the income statement.

Axis also holds financial derivative instruments, mainly currency forward contracts, with the aim of hedging purchases and sales in foreign currencies and net assets in foreign subsidiaries. Axis apply safety report. Adoption of IAS 39 results in cash-flow hedges being reported on an ongoing basis in the balance sheets and income statements, while hedges related to translation of the assets in foreign subsidiaries, "equity hedging" are reported with the translation differences directly in shareholders' equity. Shareholders' equity at January 1, 2005, adjusted for IFRS, after taking into account tax effects, was affected positively by SEK 1.2 M pertaining to unrealized cash-flow hedges. The change

in principle pertaining to equity hedges has resulted in a transfer of SEK 3.5 M within shareholders' equity from unrestricted reserves to translation differences, since the effects of equity hedges in accordance with prior accounting principles were reported in the income statement.

The Effects of Changes in Foreign Exchange Rates (IAS 21) means that Axis has changed from previously applying the monetary method to applying the current-rate method in translating the financial statements of the foreign subsidiaries. The most significant consequence of the transition to the current method is that the translation differences combined with the outcome of the equity hedges are reported directly in shareholders' equity instead of the income statement. Accumulated translation differences are reported separately as of January 1, 2004, The transition effect as of January 1, 2004 amounted to SEK 0.7 M.

IFRS is subject to continuous review and approval of the EU, as a result of which changes can still occur. Other than the above adjustments to IFRS, the same accounting principles and valuation methods used in the most recent annual report were applied.

Parent Company

The Parent Company's activities focus primarily on Group-wide administration. The Parent Company has no employees. The Parent Company reported an operating loss of SEK 1 M (0) in 2004. Liquid funds amounted to SEK 37 M (67) and borrowing amounted to SEK 0 (0).

Annual General Meeting

The Annual General Meeting will be held at 5.00 p.m. on April 19, 2005 at Edison Park. The Board proposes that a dividend of SEK 0.50 per share, of which SEK 0.30 extraordinary dividend, be paid for the 2004 financial year taking into account the company's strong financial position.

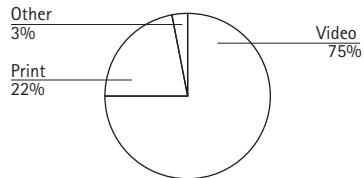
The interim report for the period April–June 2005 will be published on July 11, 2005.

Lund, April 18, 2005

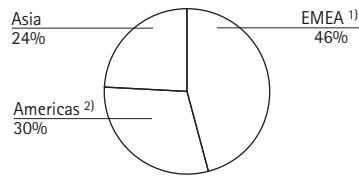
Ray Mauritsson
President and CEO

	Q1 2005	Q1 2004	Q2 2004	Q3 2004	Q4 2004
Invoiced sales per product group, SEK 000s					
Video	130 231	96 744	115 193	117 576	144 563
Print	39 143	43 053	45 832	39 010	41 154
Scan	2 038	1 871	935	5 824	2 932
Other	3 359	10 401	5 614	10 088	10 691
TOTAL	174 771	152 069	167 574	172 498	199 340
	Q1 2005	Q1 2004	Q2 2004	Q3 2004	Q4 2004
Invoiced sales per region, SEK 000s					
EMEA	80 459	78 058	81 019	83 022	105 130
Americas	52 934	39 713	55 127	56 530	58 149
Asia	41 378	34 298	31 428	32 946	36 061
TOTAL	174 771	152 069	167 574	172 498	199 340
	Q1 2005	Q1 2004	Q2 2004	Q3 2004	Q4 2004
Condensed income statement, SEK 000s					
Net sales	174 771	152 069	167 574	172 498	199 340
Gross profit	91 659	74 915	86 585	92 368	105 646
<i>Gross margin</i>	<i>52.4%</i>	<i>49.3%</i>	<i>51.7%</i>	<i>53.5%</i>	<i>53.0%</i>
Operating profit/loss	13 932	-5 273	8 368	18 582	29 358
<i>Operating margin</i>	<i>8.0%</i>	<i>-3.5%</i>	<i>5.0%</i>	<i>10.8%</i>	<i>14.7%</i>
Profit/loss before tax	13 772	-5 460	8 205	18 352	29 178

Invoiced sales per product group



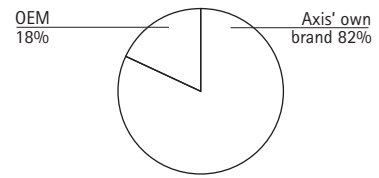
Invoiced sales per region



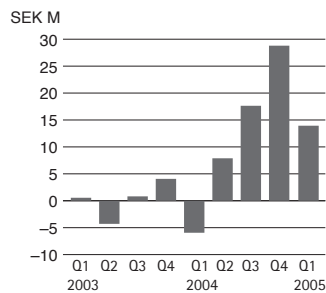
¹⁾ Europe, Middle East, Africa

²⁾ North, South and Central America

Sales branded products/OEM



Operating profit/loss (EBIT)



Income statement

(SEK 000s)	Q1 2005	Q1 2004	Full year 2004	Q2 04–Q1 05 12 months
Net sales	174 771	152 069	691 481	714 183
Cost of goods and services sold	-83 112	-77 154	-331 968	-337 926
Gross profit	91 659	74 915	359 514	376 258
Other income and changes in value	643	669	2 663	2 637
Selling and marketing costs	-39 222	-41 078	-154 078	-152 222
Administrative expenses	-10 907	-11 439	-42 277	-41 745
Research and development expenses	-28 241	-28 340	-114 787	-114 688
Operating profit/loss	13 932	-5 273	51 035	70 240
Financial expense	-160	-187	-760	-733
Profit/loss before tax	13 772	-5 460	50 275	69 507
Tax	-1 428	1 891	-19 732	-23 051
Profit/loss for the period	12 344	-3 569	30 543	46 456
Earnings per share before dilution (SEK)	0.18	-0.05	0.44	0.67
Earnings per share after dilution (SEK)	0.18	-0.05	0.44	0.67
Number of shares before dilution, average (000s)	68 900	68 900	68 900	68 900
Number of shares after dilution, average (000s)	68 912	68 900	68 900	68 912

Cash-flow statement

(SEK 000s)	Q1 2005	Q1 2004	Full year 2004	Q2 04–Q1 05 12 months
Cash flow from current operations before change in operating capital	14 631	-4 322	58 881	77 834
Change in operating capital	16 854	-7 246	-29 038	-4 938
Cash flow from current operations	31 485	-11 568	29 843	72 896
Cash flow before investing activities	-5 283	-6 234	-14 767	-13 816
Cash flow from financing activities	-1 586	4 529	2 969	-3 146
Cash flow for the period	24 616	-13 273	18 045	55 934
Liquid funds on the opening date	121 023	102 978	102 978	89 705
Liquid funds on the closing date	145 639	89 705	121 023	145 639

Balance sheet

(SEK 000s)	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004
Fixed assets	121 634	138 069	118 387
Inventories	85 460	74 328	85 788
Accounts receivable – trade	114 432	103 056	107 032
Other receivables	29 929	32 443	37 767
Liquid funds	145 639	89 705	121 023
Total	497 094	437 601	469 997
Shareholders' equity	357 208	301 237	339 844
Long-term liabilities	8 325	14 816	8 110
Current liabilities	131 561	121 548	122 043
Total	497 094	437 601	469 997

Key ratios

	Q1 2005	Q1 2004	Full year 2004
Net sales growth (%)	14.9	-0.3	10.9
Gross margin (%)	52.4	49.3	52.0
Operating margin (%)	8.0	-1.6	7.7
Profit margin (%)	7.9	-3.6	7.3
Depreciation (SEK M)	10	12	11
Shareholders' equity (SEK M)	357	301	340
Capital employed (SEK M)	365	317	352
Interest-bearing liabilities (SEK M)	8	11	6
Net interest-bearing liabilities (SEK M)	-137	-79	-115
Total assets (SEK M)	497	438	470
Return on capital employed (%)	15.4	-6.7	15.3
Return on total capital (%)	11.5	-4.8	11.3
Return on shareholders' equity (%)	11.4	-5.1	11.5
Interest coverage ratio (multiple)	192.3	-28.2	67.2
Net debt/equity ratio (multiple)	-0.4	-0.3	-0.3
Equity/assets ratio (%)	71.9	68.8	72.3
Proportion of risk-bearing capital (%)	72.1	69.4	72.4
Capital turnover rate (multiple)	2.0	1.9	2.1
Number of employees (average for the period)	351	341	343
Sales per employee (SEK M)	2.0	1.8	2.0
Operating result per employee (SEK M)	0.2	0.0	0.2

The key ratios are based on the balance sheet and income statement, adjusted to comply with IFRS, and where required have been recalculated as full-year values.

Per-share data

	Mar. 31, 2005	Mar. 31, 2004	Dec. 31, 2004
Share price on closing date (SEK)	26.50	15.10	18.00
Dividend (SEK)	-	-	-
P/E ratio	37	neg	41
Earnings per share before dilution (SEK)	0.18	-0.05	0.44
Earnings per share after dilution (SEK)	0.18	-0.05	0.44
Number of shares before dilution, average (000s)	68 900	68 900	68 900
Number of shares after dilution, average (000s)	68 912	68 900	68 900
Number of shares outstanding (000s)	68 900	68 900	68 900

Quarterly data

Invoiced sales per product group (SEK 000s)	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005
Video	78 849	84 522	88 040	104 817	96 744	115 193	117 576	144 563	130 231
Print	60 796	57 795	54 063	46 932	43 053	45 832	39 010	41 154	39 143
Scan	3 042	2 047	2 232	3 033	1 871	935	5 824	2 932	2 038
Other	9 864	8 524	10 428	8 653	10 401	5 614	10 088	10 691	3 359
TOTAL	152 551	152 888	154 763	163 435	152 069	167 574	172 498	199 340	174 771
Invoiced sales per region (SEK 000s)	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005
EMEA	72 859	75 577	74 378	85 525	78 058	81 019	83 022	108 038	80 459
Americas	42 137	41 198	45 592	43 478	39 713	55 127	56 530	55 241	52 934
Asia	37 555	36 113	34 793	34 432	34 298	31 428	32 946	36 061	41 378
TOTAL	152 551	152 888	154 763	163 435	152 069	167 574	172 498	199 340	174 771

Adjustments of the transition to IFRS

Balance sheet adjusted to comply with IFRS

	OB			IFRS			OB			IFRS		
	2003	IAS 21	IB 2004	2004 Q1	IAS 21	IB 2004 Q1	2004 Q1	IAS 21	IB 2004	2004 Q1	IAS 21	IB 2004
Fixed assets	131 785	712	132 497	137 221	848	138 069	117 930	457	118 387			
Inventories	67 074		67 074	74 328		74 328	85 788		85 788			
Account receivables – trade	94 078		94 078	103 056		103 056	107 032		107 032			
Other receivables	37 656		37 656	32 443		32 443	37 767		37 767			
Liquid funds	102 978		102 978	89 705		89 705	121 023		121 023			
Total	433 571	712	434 283	436 753	848	437 601	469 540	457	469 997			
Shareholders' equity	300 324	712	301 036	300 389	848	301 237	339 387	457	339 844			
Provisions	7 081	-7 081	-	7 345	-7 345	-	5 960	-5 960	-			
Long-term liabilities	10 200	3 903	14 103	10 913	3 903	14 816	6 375	3 903	10 278			
Current liabilities	115 966	3 178	119 144	118 106	3 442	121 548	117 818	2 057	119 875			
Total	433 571	712	434 283	436 753	848	437 601	469 540	457	469 997			

Income statement adjusted to comply with IFRS

	2004 Q1		IFRS		2004 Q2		IFRS	
	2004 Q1	IAS 21	2004 Q1	IAS 21	2004 Q2	IAS 21	2004 Q2	IAS 21
Net sales	152 069		152 069		167 574		167 574	
Cost of goods and services sold	-77 154		-77 154		-80 989		-80 989	
Gross profit	74 915		74 915		86 585		86 585	
Other income and changes in value	669		669		483		483	
Selling and marketing costs	-41 078		-41 078		-39 844		-39 844	
Administrative expenses	-11 439		-11 439		-10 001		-10 001	
Research and development expenses	-28 340		-28 340		-28 855		-28 855	
Operating profit/loss	-5 273		-5 273		8 368		8 368	
Financial expense	-187		-187		-163		-163	
Transfer of translation difference	3 816	-3 816	-		796	-796	-	
Profit/loss before tax	-1 644	-3 816	-5 460		9 001	-796	8 205	
Tax	1 891		1 891		-1 984		-1 984	
Net profit/loss for the period	247	-3 816	-3 569		7 017	-796	6 221	
Earnings per share before dilution (SEK)	0.00		-0.05		0.10		0.09	
Earnings per share after dilution (SEK)	0.00		-0.05		0.10		0.09	
Number of shares before dilution, average (000s)	68 900		68 900		68 900		68 900	
Number of shares after dilution, average (000s)	68 900		68 900		68 900		68 900	

	2004 Q3		IFRS		2004 Q4		IFRS	
	2004 Q3	IAS 21	2004 Q3	IAS 21	2004 Q4	IAS 21	2004 Q4	IAS 21
Net sales	172 498		172 498		199 340		199 340	
Cost of goods and services sold	-80 130		-80 130		-93 695		-93 695	
Gross profit	92 368		92 368		105 646		105 646	
Other income and changes in value	945		945		566		566	
Selling and marketing costs	-35 833		-35 833		-37 323		-37 323	
Administrative expenses	-10 356		-10 356		-10 481		-10 481	
Research and development expenses	-28 542		-28 542		-29 050		-29 050	
Operating profit/loss	18 582		18 582		29 358		29 358	
Financial expense	-230		-230		-180		-180	
Transfer of translation difference	245	-245	-		1 937	-1 937	-	
Profit/loss before tax	18 597	-245	18 352		31 115	-1 937	29 178	
Tax	-5 091		-5 091		-14 547		-14 547	
Net profit/loss for the period	13 506	-245	13 261		16 568	-1 937	14 631	
Earnings per share before dilution (SEK)	0.20		0.19		0.24		0.21	
Earnings per share after dilution (SEK)	0.20		0.19		0.24		0.21	
Number of shares before dilution, average (000s)	68 900		68 900		68 900		68 900	
Number of shares after dilution, average (000s)	68 900		68 900		68 900		68 900	

Income statement full year 2004 adjusted to comply with IFRS

	Full year 2004	IAS 21	IFRS 2004
Net sales	691 481		691 481
Cost of goods and services sold	-331 968		-331 968
Gross profit	359 514		359 514
Other income and changes in value	2 663		2 663
Selling and marketing costs	-154 078		-154 078
Administrative expenses	-42 277		-42 277
Research and development expenses	-114 787		-114 787
Operating profit/loss	51 035		51 035
Financial expense	-760		-760
Transfer of translation difference	6 794	-6 794	-
Profit/loss before tax	57 069	-6 794	50 275
Tax	-19 732		-19 732
Net profit/loss for the period	37 337	-6 794	30 543
Earnings per share before dilution (SEK)	0.54		0.44
Earnings per share after dilution (SEK)	0.54		0.44
Number of shares before dilution, average (000s)	68 900		68 900
Number of shares after dilution, average (000s)	68 900		68 900

Effects on opening balance sheet as per IAS 39

	IFRS bal. c/f 2004	IFRS adjustment	IFRS bal. b/f 2005
Fixed assets	118 387	2 340	120 727
Inventories	85 788		85 788
Accounts receivable – trade	107 032		107 032
Other receivables	37 767	1 223	38 990
Liquid funds	121 023		121 023
Total	469 997	3 563	473 560
Shareholders' equity	339 844	3 563	343 407
<i>Share capital</i>	<i>689</i>		<i>689</i>
<i>Translation differences</i>	<i>457</i>	<i>6 794</i>	<i>7 251</i>
<i>Hedging reserve</i>	<i>-</i>	<i>1 205</i>	<i>1 205</i>
<i>Restricted reserves</i>	<i>267 361</i>		<i>267 361</i>
<i>Non-restricted reserves</i>	<i>34 000</i>	<i>2 358</i>	<i>36 358</i>
<i>Net profit/loss for the year</i>	<i>37 337</i>	<i>-6 794</i>	<i>30 543</i>
Long-term liabilities	10 278		10 278
Current liabilities	119 875		119 875
Total	469 997	3 563	473 560

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, April 18, 2005

Öhrlings PricewaterhouseCoopers AB

Anders Lundin,
Authorized Public Accountant
Senior Auditor

Dan Andersson,
Authorized Public Accountant

The Annual Report for 2004 is available on Axis' web site,
www.axis.com/corporate/investor/financial_reports.htm

Further information is available from the President, Ray Mauritsson,
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