

Interim report January–June 2005

Record high first-half earnings

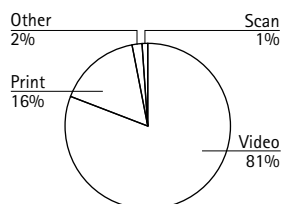
- *Net sales during the period amounted to SEK 401 M (320).*
- *Operating profit for the period totaled SEK 55 M (3).*
- *Profit before tax was SEK 55 M (3).*
- *Profit after tax was SEK 42 M (3).*
- *Earnings per share after tax for the period amounted to SEK 0,61 (0,04).*

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-börsen (XSSE: AXIS) Attract 40-list. 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% of sales. Information about Axis can be found at www.axis.com.*



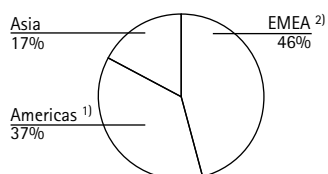
Sales

Invoiced sales per product group



Product area Video represents 81 percent of Axis' total sales.

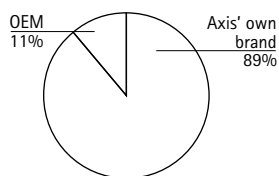
Invoiced sales per region



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

Region EMEA is the largest region, followed by Americas and Asia.

Sales branded products/OEM



89% of total sales is Axis' own brand.

Axis' net sales during the first six months of 2005 amounted to SEK 401 M (320). Up 25 percent compared with the preceding year. The Video product area accounted for SEK 313 M of total net sales, representing an increase of 48 percent compared with the first half of 2004. Currency effects impacted negatively on sales in an amount of SEK 13 M, mainly due to the fluctuation of the SEK against the USD.

Second-quarter sales amounted to SEK 226 M (168), up 35 percent. The increase is mainly attributable to continued success for the Video product area in all Axis customer segments. The Video product area now accounts for 81 percent of Axis' total sales.

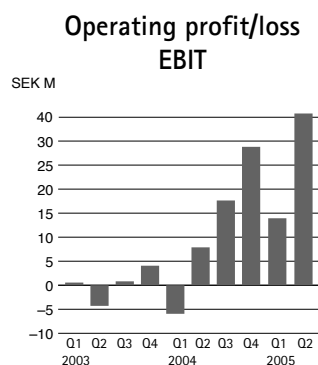
Sales grew in all three regions during the first half of the year. In the second quarter, growth was strongest in the Americas region, with sales up 53 percent compared with the second quarter of 2004. The success is attributable to the high level of acceptance of the technology shift from analog to digital systems in the more homogenous US market. Activity levels were high in the EMEA and Asia regions in the second quarter, with 29 percent growth in the EMEA region and 20 percent growth in Asia compared with the year-earlier period.

The Print product area continued to show weak sales development despite second-quarter sales being positively affected by strong OEM sales in Asia. OEM sales during the period accounted for 11 percent of Axis' total sales.

Invoiced sales per product group, SEK 000s	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	Full year 2004	Q3 04 -Q2 05 12 months
Video	183 107	115 193	313 338	211 937	474 076	575 477
Print	36 241	45 832	75 384	88 885	169 049	155 548
Scan	2 327	935	4 365	2 806	11 562	13 121
Other	4 444	5 614	7 802	16 015	36 794	28 581
TOTAL	226 119	167 574	400 889	319 643	691 481	772 727

Invoiced sales per region, SEK 000s	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	Full year 2004	Q3 04 -Q2 05 12 months
EMEA	104 242	81 019	184 700	159 077	347 229	372 852
Americas	84 164	55 127	137 098	94 840	209 519	251 777
Asia	37 713	31 428	79 091	65 726	134 733	148 098
TOTAL	226 119	167 574	400 889	319 643	691 481	772 727

Earnings



Operating profit for the period January–June 2005 amounted to SEK 55 M (3). The gross margin amounted to 54.0 percent (50.5) and the operating margin was 13,8 percent. Profit before tax rose to SEK 55 M (3) and profit after tax amounted to SEK 42 M (3). Currency effects did not have any significant impact on operating profit during the period.

Operating profit for the second quarter amounted to SEK 41 M (8), corresponding to an operating margin of 18,3 percent. Profit before tax amounted to SEK 41 M (8) and profit after tax was SEK 29 M (6). The gross margin for the second quarter rose to 55.2 percent, mainly due to the generation shift implemented in the product portfolio.

Condensed income statement, SEK 000s	Q2 2005	Q2 2004	Q1–Q2 2005	Q1–Q2 2004	Full year 2004	Q3 04 –Q2 05 12 months
Net sales	226 119	167 574	400 889	319 643	691 481	772 727
Gross profit	124 744	86 585	216 403	161 500	359 514	414 417
Gross margin	55.2 %	51.7 %	54.0 %	50.5 %	52.0 %	53.6 %
Operating profit	41 449	8 368	55 382	3 095	51 035	103 322
Operating margin	18.3 %	5.0 %	13.8 %	1.0 %	7.4 %	13.4 %
Profit before tax	41 306	8 205	55 079	2 745	50 275	102 609

Cash flow and financial position

Cash flow from current operations amounted to SEK 51 M. Net investments totaled SEK 14 M, including capitalized development costs of SEK 12 M. During the period, SEK 34 M was distributed to the shareholders. On June 30, Axis had liquid funds totaling SEK 123 M and unutilized credit facilities of SEK 80 M. Accordingly, the company had funds of SEK 203 M at its disposal on June 30, 2005.

Shareholders' equity

The Group's shareholders' equity amounts to SEK 355 M. Changes during the period and the effects of the transition to IFRS are reported in separate tables. The total number of shares at the end of the period was 68,902,000. After full exercise of warrants outstanding, the number of shares amounts to 70,851,300. The Group's equity/assets ratio on June 30, 2005 was 69 percent.

(SEK 000s)	Share capital	Restricted reserves	Exchange rate difference	Non-restricted equity	Total shareholders' equity
Opening balance, IFRS January 1, 2005	689	267 361	8 456	66 901	343 408
Transfer between non-restricted and restricted equity	-	23 725	-	-23 725	-
Currency effects	-	-	4 025	-	-415
Other adjustments	-	-	-	51	51
Dividend	-	-	-	-34 450	-34 450
Net profit for the period	-	-	-	41 814	41 814
Closing balance, June 30, 2005	689	291 086	12 481	50 591	354 848

Significant events during the first half of the year

The strong first-half earnings in 2005 indicate growing interest in Axis' products. The company continues to retain its position as the global market leader within network video.

Axis' market position was acknowledged when the company received the "Excellence in Technology 2005" prize awarded by the international market consulting company Frost & Sullivan during the second quarter.

General interest in the market for network video products continues to grow. Axis' products and solutions attracted substantial interest at the international IFSEC security trade fair held in Birmingham in the UK.

The generation shift in the product portfolio that was initiated during 2004 is now complete, entailing that the majority of Axis' video products are now based on new, internally developed ARTPEC-2 image-processing chip technology. About ten products have been launched since turn of the year, mostly products and solutions within the Video product area.

Partnerships are an important success factor for Axis. These efforts were intensified during the first half of 2005, with the inclusion of many new integration partners in Axis' partner program, particularly in the EMEA region. In June, a collaborative partnership was announced with the UK/Irish distributor Computer 2000, a company within the Tech Data Group. The collaboration with Axis enables Computer 2000 to further strengthen its customer offering within the expanding network video area.

Axis is continuing its efforts to educate the market in convergence from analog to digital network solutions. During the period, Axis strengthened its market presence through continued focus on Axis Academy, a training program in security solutions for system integrators in the security and IT sector. A total of 400 partners successfully completed the training during the period.

Axis has continued to successfully sell products and solutions in all customer segments. During the second quarter, installations were made for instance in schools in the US and the UK and at FFL, a UK-based aircraft catering company.

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 developing partnerships and product launches. In the Video product area, Axis will defend its leading position by developing, leading and growing with the market. The market for printer solutions should be considered mature and limits the expectations on sales in the Print product area.

The Axis share

Reporting in accordance with International Financial Reporting Standards (IFRS)

The Axis share is listed on the Attract40 segment of the Stockholm Stock Exchange's O-list. Average trading in the share per day during the period January 1 to June 30, 2005 amounted to SEK 3,517,265. The average trading volume during the same period was 140,939 shares per day. The total number of shares in the company at June 30, 2005 was 68,902,000.

As of January 1, 2005, Axis prepares its consolidated accounts in accordance with IFRS. The interim report for the second quarter of 2005 is the second to be presented in accordance with IFRS. Until the end of 2004, Axis 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 of 2004 shall be reported in accordance with IFRS. Financial information pertaining to earlier than 2004 is not restated.

A summary of the differences between Axis' accounting principles applied in accordance with the Swedish Financial Accounting Standards Council's recommendations on December 31, 2004 and IFRS, as communicated in the first-quarter interim report for 2005, is provided below:

Financial Instruments: Recognition and Measurement (IAS 39). Reporting in accordance with IAS 39 has been applied from January 1, 2005.

Axis holds financial assets that were formerly valued at accrued acquisition value. In accordance with IAS 39, these assets are to be recognized at fair value. 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 applies hedge accounting.

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 method when translating the financial statements of foreign subsidiaries.

IFRS is subject to continuous review and approval by 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. For further information about the effects of the transi-

tion to IFRS, refer to the interim report for the first quarter of 2005.

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 (loss 1). Liquid funds amounted to SEK 0 M (38 at the beginning of the year) and borrowing amounted to SEK 0 (0 at the beginning of the year).

Reporting dates

Interim report, January–September 2005	October 20, 2005
Year-end report 2005	February 8, 2006

Lund, July 11, 2005

Ray Mauritsson
President and CEO

Income statement

(SEK 000s)	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	Full year 2004	Q3 04-Q2 05 12 months
Net sales	226 119	167 574	400 889	319 643	691 481	772 727
Cost of goods and services sold	-101 375	-80 989	-184 486	-158 143	-331 968	-358 311
Gross profit	124 744	86 585	216 403	161 500	359 514	414 417
Other income and changes in value	401	483	1 044	1 152	2 663	2 555
Selling and marketing costs	-42 735	-39 844	-81 957	-80 922	-154 078	-155 113
Administrative expenses	-13 555	-10 001	-24 461	-21 440	-42 277	-45 298
Research and development expenses	-27 406	-28 855	-55 647	-57 195	-114 787	-113 239
Operating profit	41 449	8 368	55 382	3 095	51 035	103 322
Financial expense	-143	-163	-303	-350	-760	-713
Profit before tax	41 306	8 205	55 079	2 745	50 275	102 609
Tax	-11 837	-1 984	-13 265	-93	-19 732	-32 904
Profit for the period	29 469	6 221	41 814	2 652	30 543	69 705
Earnings per share before dilution (SEK)	0.43	0.09	0.61	0.04	0.44	1.01
Earnings per share after dilution (SEK)	0.43	0.09	0.61	0.04	0.44	1.01
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)	68 956	68 900	68 956	68 900	68 900	68 956

Cash-flow statement

(SEK 000s)	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	Full year 2004	Q3 04-Q2 05 12 months
Cash flow from current operations before change in operating capital	39 565	8 808	54 196	4 486	58 881	108 591
Change in operating capital	-20 318	-10 341	-3 464	-17 587	-29 038	-14 915
Cash flow from current operations	19 247	-1 533	50 732	-13 101	29 843	93 676
Cash flow from investing activities	-8 674	-1 787	-13 957	-8 021	-14 767	-20 703
Cash flow from financing activities	-32 864	-941	-34 450	3 588	2 969	-35 069
Cash flow for the period	-22 291	-4 261	2 325	-17 534	18 045	37 904
Liquid funds on the opening date	145 639	89 705	121 023	102 978	102 978	85 444
Liquid funds on the closing date	123 348	85 444	123 348	85 444	121 023	123 348

Balance sheet

(SEK 000s)	Jun. 30, 2005	Jun. 30, 2004	Dec. 31, 2004
Fixed assets	120 036	135 234	118 387
Inventories	84 537	76 703	85 788
Accounts receivable	160 443	115 781	107 032
Other receivables	25 338	33 495	37 767
Liquid funds	123 348	85 444	121 023
Total	513 702	446 657	469 997
Shareholders' equity	354 848	308 171	339 844
Long-term liabilities	8 820	15 164	8 110
Current liabilities	150 034	123 322	122 043
Total	513 702	446 657	469 997

Key ratios

	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	Full year 2004
Net sales growth (%)	34.9	9.6	25.4	4.7	10.9
Gross margin (%)	55.2	51.7	54.0	50.5	52.0
Operating margin (%)	18.3	5.0	13.8	1.0	7.7
Profit margin (%)	18.3	4.9	13.7	0.9	7.3
Depreciation (SEK M)	9	10	9	11	11
Shareholders' equity (SEK M)	355	308	355	308	340
Capital employed (SEK M)	363	323	363	323	352
Interest-bearing liabilities (SEK M)	9	9	9	9	6
Net interest-bearing liabilities (SEK M)	-115	-76	-115	-76	-115
Total assets (SEK M)	514	447	514	447	470
Return on capital employed (%)	46.4	9.9	31.0	24.7	15.3
Return on total capital (%)	33.7	7.3	16.9	18.2	11.3
Return on shareholders' equity (%)	34.2	7.3	22.8	1.9	11.5
Interest coverage ratio (multiple)	289.9	51.3	182.8	8.8	67.2
Net debt/equity ratio (multiple)	-0.3	-0.2	-0.3	-0.2	-0.3
Equity/assets ratio (%)	69.1	69.0	69.1	69.0	72.3
Proportion of risk-bearing capital (%)	69.1	69.4	69.1	69.4	72.4
Capital turnover rate (multiple)	2.5	2.0	2.2	1.9	2.1
Number of employees (average for the period)	352	342	352	342	343
Sales per employee (SEK M)	2.6	1.7	2.3	1.7	2.0
Operating result per employee (SEK M)	0.5	0.1	0.3	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

	Jun. 30, 2005	Jun. 30, 2004	Dec. 31, 2004
Share price on closing date (SEK)	28.10	14.50	18.00
Dividend (SEK)	0.50	-	-
P/E ratio	23	181	41
Earnings per share before dilution (SEK)	0.61	0.04	0.44
Earnings per share after dilution (SEK)	0.61	0.04	0.44
Number of shares before dilution, average (000s)	68 900	68 900	68 900
Number of shares after dilution, average (000s)	68 956	68 900	68 900
Number of shares outstanding (000s)	68 902	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	Q2 2005
Video	78 849	84 522	88 040	104 817	96 744	115 193	117 576	144 563	130 231	183 107
Print	60 796	57 795	54 063	46 932	43 053	45 832	39 010	41 154	39 143	36 241
Scan	3 042	2 047	2 232	3 033	1 871	935	5 824	2 932	2 038	2 327
Other	9 864	8 524	10 428	8 653	10 401	5 614	10 088	10 691	3 359	4 444
TOTAL	152 551	152 888	154 763	163 435	152 069	167 574	172 498	199 340	174 771	226 119
Invoiced sales per region	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
EMEA	72 859	75 577	74 378	85 525	78 058	81 019	83 022	108 038	80 459	104 242
Americas	42 137	41 198	45 592	43 478	39 713	55 127	56 530	55 241	52 934	84 164
Asia	37 555	36 113	34 793	34 432	34 298	31 428	32 946	36 061	41 378	37 713
TOTAL	152 551	152 888	154 763	163 435	152 069	167 574	172 498	199 340	174 771	226 119

Adjustments of the transition to IFRS

Balance sheet

	IFRS			IFRS			IFRS		
	bal. c/f 03	IAS 21	bal. b/f 04	bal. c/f Q204	IAS 21	bal. c/f Q204	bal. c/f 04	IAS 21	bal. c/f 04
Fixed assets	131 785	712	132 497	134 471	763	135 234	117 930	457	118 387
Inventories	67 074		67 074	76 703		76 703	85 788		85 788
Accounts receivable	94 078		94 078	115 781		115 781	107 032		107 032
Other receivables	37 656		37 656	33 495		33 495	37 767		37 767
Liquid funds	102 978		102 978	85 444		85 444	121 023		121 023
Total	433 571	712	434 283	445 894	763	446 657	469 540	457	469 997
Shareholders' equity	300 324	712	301 036	307 408	763	308 171	339 387	457	339 844
Provisions	7 081	-7 081	-	7 262	-7 262	-	5 960	-5 960	-
Long-term liabilities	10 200	3 903	14 103	9 272	5 892	15 164	6 375	3 903	10 278
Current liabilities	115 966	3 178	119 144	121 952	1 370	123 322	117 818	2 057	119 875
Total	433 571	712	434 283	445 894	763	446 657	469 540	457	469 997

Income statement adjusted to comply with IFRS

	Q204		IFRS	Q1-Q2 04		IFRS
	Q204	IAS 21	Q204	Q1-Q2 04	IAS 21	Q1-Q2 04
Net sales	167 574		167 574	319 643		319 643
Cost of goods and services sold	-80 989		-80 989	-158 143		-158 143
Gross profit	86 585		86 585	161 500		161 500
Other income and changes in value	483		483	1 152		1 152
Selling and marketing costs	-39 844		-39 844	-80 922		-80 922
Administrative expenses	-10 001		-10 001	-21 440		-21 440
Research and development expenses	-28 855		-28 855	-57 195		-57 195
Operating profit	8 368		8 368	3 095		3 095
Financial expenses	-163		-163	-350		-350
Reversal of translation difference	796	-796	-	4 612	-4 612	-
Profit/loss before tax	9 001	-796	8 205	7 357	-4 612	2 745
Tax	-1 984		-1 984	-93		-93
Net profit/loss for the period	7 017	-796	6 221	7 264	-4 612	2 652
Earnings per share before dilution (SEK)	0.10		0.09	0.11		0.04
Earnings per share after dilution (SEK)	0.10		0.09	0.11		0.04
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

	Q304		IFRS	Q404		IFRS
	Q304	IAS 21	Q304	Q404	IAS 21	Q404
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	18 582		18 582	29 358		29 358
Financial expenses	-230		-230	-180		-180
Reversal 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	51 035		51 035
Financial expenses	-760		-760
Reversal 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 from reporting in accordance with IAS 39

	IFRS UB 2004	IFRS justering	IFRS IB 2005
Fixed assets	118 387	2 340	120 727
Inventories	85 788		85 788
Accounts receivable	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>	689		689
<i>Translation differences</i>	457	6 794	7 251
<i>Hedging reserve</i>	-	1 205	1 205
<i>Restricted reserves</i>	267 361		267 361
<i>Non-restricted reserves</i>	34 000	2 358	36 358
<i>Net profit/loss for the year</i>	37 337	-6 794	30 543
Provisions	5 960	-5 960	-
Long-term liabilities	6 375	3 903	10 278
Current liabilities	117 818	2 057	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, July 11, 2005

Öhrling PricewaterhouseCoopers AB

Anders Lundin,
Authorized Public Accountant
Auditor in charge

Dan Andersson,
Authorized Public Accountant

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

Further information is available from the President, Ray Mauritsson, Fredrik Sjöstrand, CFO or Margareta Lantz, Manager IR & Corporate Communications
tel +46 46 272 18 00.

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

