

Year-end report 2005

Sharp growth for video resulted in more than doubled earnings

- *Net sales during the year totaled SEK 895 M (691).*
- *Operating profit for the year amounted to SEK 128 M (51).*
- *Profit before tax for the year was SEK 128 M (50).*
- *Profit after tax for the year amounted to SEK 91 M (31).*
- *Earnings per share after tax for the year amounted to SEK 1.32 (0.44).*
- *Board proposes a dividend of SEK 1.00 (0.50) per share, of which SEK 0.50 extraordinary dividend.*

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.*



President's comments

From Axis' viewpoint, 2005 was a strong year, with the entire Group reporting 29-percent growth and more than doubled earnings. A strategy focused on video combined with a well-developed product portfolio and an increased acceptance of digital solutions during the year constitutes the three factors that contributed to the healthy earnings.

The Video product area reported excellent growth of 55 percent, a growth rate that validates the strategy of focusing on video. The strongest geographical growth was noted in region Americas region, at 61 percent, a result of increasing interest in the switch from analog to digital technology in the American market.

Our strategy to meet the increased competition on the market, maintain our market shares and leading positions is to focus on development of innovative products and further development of our partnerships. In future, we are planning for investments in marketing and recruiting, primarily within the sales organization.

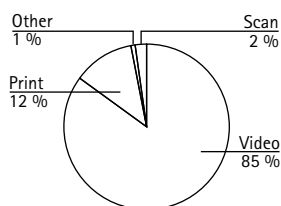
Ray Mauritsson, President

Sales

Axis' net sales during January–December 2005 amounted to SEK 895 M (691), up 29 percent compared with the preceding year. The Video product area, which increased by 55 percent compared with 2004, accounted for sales of SEK 733 M. Currency effects had a positive effect of SEK 13 M on sales.

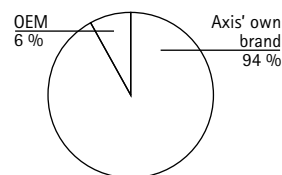
Net sales during the fourth quarter totaled SEK 259 M (199), an increase of 30 percent compared with the corresponding period of the preceding year. Sales in the Video product area amounted to SEK 221 M (145) and now account for 85 percent (73) of Axis' total sales. The trend in the Print product area remained negative and this product area accounted for 12 percent (21) of Axis' total sales during the period. OEM sales, mainly within Print, accounted for 6 percent (17) of Axis' total sales during the fourth quarter.

Invoiced sales per product group



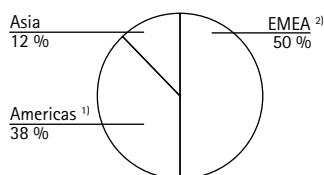
Product area Video represents 85 percent of Axis' total sales (Q4, 2005).

Sales branded products/OEM



94 % of total sales is Axis' own brand (Q4, 2005).

Invoiced sales per region



¹⁾ Including North, South and Central America

²⁾ Including Europe, Middle East and Africa

Region EMEA is the largest region, followed by Americas och Asia (Q4, 2005).

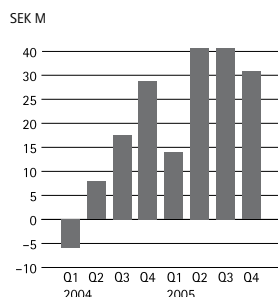
Sales growth was positive in the Americas and EMEA regions during the fourth quarter. Sales in Americas amounted to SEK 100 M (58), corresponding to growth of 72 percent, while sales in EMEA totaled SEK 129 M (105). The Asia region reported sales of SEK 31 M (36), a decrease that was attributable to a decline in OEM sales.

Invoicing per product group, SEK 000s	Q4 2005	Q4 2004	Q1-Q4 2005	Q1-Q4 2004
Video	220 766	144 563	732 586	474 076
Print	30 383	41 154	135 542	169 049
Scan	4 298	2 932	11 050	11 562
Other	4 000	10 691	15 888	36 794
TOTAL	259 447	199 340	895 066	691 481

Invoicing per region, SEK 000s	Q4 2005	Q4 2004	Q1-Q4 2005	Q1-Q4 2004
EMEA	129 163	105 130	410 387	347 229
Americas	99 733	58 149	337 162	209 519
Asia	30 551	36 061	147 517	134 733
TOTAL	259 447	199 340	895 066	691 481

Earnings

Operating profit/loss EBIT



Operating profit during January–December amounted to SEK 128 M (51), corresponding to an operating margin of 14.3 percent (7.4). The gross margin was 54.0 percent (52.0).

Profit before tax rose to SEK 128 M (50), while profit after tax amounted to SEK 91 M (31). Currency effects had a positive impact of SEK 6 M on operating profit during the year. The strong growth during the year resulted in increased costs for variable salaries and bonuses, among other expenses.

Operating profit in the fourth quarter amounted to SEK 32 M (29), corresponding to an operating margin of 12.4 percent (14.7). Profit before tax was SEK 32 M (29), while profit after tax amounted to SEK 19 M (15).

Condensed income statement, SEK 000s	Q4 2005	Q4 2004	Q1-Q4 2005	Q1-Q4 2004
Net sales	259 447	199 340	895 066	691 481
Gross profit	137 806	105 646	482 973	359 514
<i>Gross margin</i>	<i>53.1 %</i>	<i>53.0 %</i>	<i>54.0 %</i>	<i>52.0 %</i>
Operating profit	32 171	29 358	128 192	51 035
<i>Operating margin</i>	<i>12.4 %</i>	<i>14.7 %</i>	<i>14.3 %</i>	<i>7.4 %</i>
Pretax profit	32 044	29 178	127 541	50 275

Cash flow and financial position

Cash flow from current operations amounted to SEK 131 M during the year. During the fourth quarter, cash flow amounted to SEK 29 M.

Net investments totaled SEK 30 M, of which capitalized development costs accounted for SEK 24 M. On the closing date, Axis had liquid funds of SEK 187 M and unutilized credit facilities of SEK 80 M. The company thus had a total of SEK 267 M at its disposal on December 31, 2005.

Shareholders' equity

Consolidated shareholders' equity amounted to SEK 407 M. Changes during the year, as well as the effects of the transition to IFRS, are reported in separate tables. The total number of shares on the closing date was 68,925,000. After full exercise of outstanding warrants, the number of shares will amount to 69,551,050. The consolidated equity/assets ratio was 70.2 percent on December 31, 2005.

(SEK 000s)	Share capital	Other reserves	Retained earnings	Total shareholders' equity
Opening balance, IFRS Jan 1, 2005	689	275 817	66 901	343 407
Exchange-rate effects	-	8 459	-	8 459
Other adjustments	-	-939	-302	-1 241
Dividend	-	-	-34 450	-34 450
Net profit for the period	-	-	91 087	91 087
Closing balance, Dec 31, 2005	689	283 336	123 237	407 262

Products and market

During the period, Axis continued to launch products that attracted considerable interest in the market. The AXIS 225FD, a vandal-safe camera that is suitable for installation in demanding environments, such as in the Government and Education customer segments, was introduced during the fourth quarter. The AXIS 225FD was presented the "Best CCTV (Closed Circuit Television) product" award by Swedish security magazine *Detektor*.

Axis' newly launched chip, the ETRAX FS, has rapidly established a position in the market. Among other developments, the Swedish company Bioett announced that they had decided to integrate the chip into a biosensor solution for the automatic control and supervision of the effect of temperature on products in its distribution chain.

Axis' business model is based on sales via distributors, system integrators and resellers. To facilitate close relations with its partners, Axis devised the Axis Channel Partner Program, which had 5,800 registered partners at the end of December 2005.

In October Axis announced its cooperation with Singapore Telecom, which launched its SingTel/Expan e-surveillance service during the quarter. This value-adding service is based on the Axis Subscriber Technology System (ST System) and focuses on telecom operators, Internet suppliers and mobile operators that want to offer their small and midsize corporate customers a cost-effective administered IP video-surveillance service.

Axis and Hewlett Packard (HP) entered into cooperation during the period. HP selected the AXIS 70U document server for its turnkey offering in the network scanning area. The solution focuses mainly on small-scale companies that require a

simple, cost-effective solution for scanning and converting paper documents into digital media.

EMC, one of the world's largest companies focusing on digital storage and analytical solutions, entered into cooperation with Axis during the period. Through its EMC Select program, this company offers its customers products including a wide range of Axis network cameras and video servers.

Trends ahead of 2006

Axis retains its positive view of the long-term growth potential in the Video product area. Axis strategy to meet the increased competition on the market, maintain market shares and leading positions is to focus on development of innovative products and further development of partnerships. In future, Axis are planning for investments in marketing and recruiting, primarily within the sales organization.

The Axis share

The Company's share is listed on the O List of the Stockholm Stock Exchange, among the Attract 40 companies. The average turnover per day during the period January 1 through December 31, 2005 was SEK 6 M. The average number of shares sold during the same period was 164 478 shares per day. The average share price during the period was SEK 35.92. The total number of shares in the Company on the closing date was 68,925,000.

Reporting according to International Financial Reporting Standards (IFRS)

As of January 1, 2005, Axis prepares its consolidated accounts in accordance with IFRS to the extent the standards have been approved by the EU and additional requirements that may arise pursuant to the provisions of the Annual Accounts Act. The interim report for the fourth quarter of 2005 is the fourth that Axis has published in accordance with IFRS. Up to and including 2004, Axis applied the recommendations and statements issued by the Swedish Financial Accounting Standards Council. The transition to IFRS is reported in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, whereby the transitional date is January 1, 2004. IFRS 1 also requires that the comparison year, 2004, be reported in accordance with IFRS. Financial information for fiscal years prior to 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-rate method in 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 transition to IFRS, refer to the interim report for the first quarter of 2005.

Parent Company

The Parent Company's operations focus primarily on Group-wide administration. The Parent Company has no employees. An operating loss of SEK 2 M (loss: 3) was reported. Liquid funds amounted to SEK 106 M (38 at January 1), while borrowing was SEK 0 M (0 at January 1). Investments during the period amounted to SEK 0 M (0).

Nomination Committee

Axis' Nomination Committee consists of representatives from the three largest owners: Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu S.P.R.L.) and Martin Gren (AB Grenspecialisten). Christer Brandberg is the Chairman and convener. Proposals and comments from shareholders regarding the composition of the Board of Directors may be submitted in writing to Axis AB, att: Åsa Haapasaari, Emdalavägen 14, SE-223 69 Lund or by phone on +46 46 272 18 00.

Reporting dates

The interim report for the first quarter of 2006 (January 1, 2006 to March 31, 2006) will be presented on April 19, 2006.

Annual General Meeting

The Annual General Meeting of Axis AB will be held at Edison Park in Lund, Sweden on April 20, 2006 at 5:00 p.m. The Annual Report for 2005 will be available on the Company's website as of mid-March.

Dividend

The Board proposes that an ordinary dividend of SEK 0.50 (0.20) per share be paid for the 2005 financial year and an extraordinary dividend of SEK 0.50 (0.30) taking into account the Company's strong financial position. The company's unrestricted equity at December 31, 2005 amounted to SEK 131,269,756. Liquidity in the parent company was strengthened by SEK 68 M during fiscal year 2005. The Board foresees a continued positive development in earnings as well as liquidity during the 2006 fiscal year. It is the Board's opinion that the proposed dividend does not restrict the company in meeting its obligations in the short and long term, nor in making necessary investments.

Lund, February 8, 2006

Board of Directors, Axis AB

Income statement

(SEK 000s)	Q4 2005	Q4 2004	Q1-Q4 2005	Q1-Q4 2004
Net sales	259 447	199 340	895 066	691 481
Cost of sold products and services	-121 641	-93 695	-412 093	-331 968
Gross profit	137 806	105 646	482 973	359 514
Other revenues and changes in value	-4 244	566	-2 718	2 663
Selling and marketing costs	-49 071	-37 323	-176 289	-154 078
Administrative costs	-16 925	-10 481	-53 274	-42 277
Research and development costs	-35 395	-29 050	-122 500	-114 787
Operating profit	32 171	29 358	128 192	51 035
Financial expense	-127	-180	-651	-760
Pretax profit	32 044	29 178	127 541	50 275
Tax	-12 677	-14 547	-36 454	-19 732
Net profit for the period	19 367	14 631	91 087	30 543
Earnings per share before dilution, SEK	0.28	0.21	1.32	0.44
Earnings per share after dilution, SEK	0.28	0.21	1.32	0.44
Average number of shares before dilution, thousands	68 906	68 900	68 906	68 900
Average number of shares after dilution, thousands	69 121	68 900	69 121	68 900

Cash-flow statement

(SEK 000s)	Q4 2005	Q4 2004	Q1-Q4 2005	Q1-Q4 2004
Cash flow from operating activities before change in working capital	45 068	36 395	145 678	58 881
Change in working capital	-16 289	-26 179	-15 149	-29 038
Cash flow from operating activities	28 779	10 216	130 529	29 843
Cash flow from investment activities	-9 103	-3 730	-29 921	-14 767
Cash flow from financing activities	-10	400	-34 406	2 969
Cash flow for the period	19 666	6 886	66 202	18 045
Cash and cash equivalents, beginning of period	167 559	114 137	121 023	102 978
Cash and cash equivalents, end of period	187 225	121 023	187 225	121 023

Balance sheet

(SEK 000s)	Dec. 31, 2005	Dec. 31, 2004
Fixed assets	107 204	118 387
Inventories	117 811	85 788
Accounts receivable	142 726	107 032
Other receivables	25 257	37 767
Cash and cash equivalents	187 225	121 023
Total	580 223	469 997
Shareholders' equity	407 262	339 844
Long-term liabilities	10 774	10 278
Current liabilities	162 187	119 875
Total	580 223	469 997

Key figures

	Q4 2005	Q4 2004	Q1-Q4 2005	Q1-Q4 2004
Net sales growth (%)	30.2	22.0	29.4	10.9
Gross margin (%)	53.1	53.0	54.0	52.0
Operating margin (%)	12.4	14.7	14.3	7.7
Profit margin (%)	12.4	14.6	14.2	7.3
Depreciation (SEK M)	13	11	13	11
Shareholders' equity (SEK M)	407	340	407	340
Capital employed (SEK M)	414	352	412	352
Interest-bearing liabilities (SEK M)	7	6	7	6
Net interest-bearing liabilities (SEK M)	-180	-115	-180	-115
Total assets (SEK M)	580	470	580	470
Return on capital employed (%)	33.6	30.7	33.6	15.3
Return on total capital (%)	24.5	22.4	24.4	11.3
Return on equity (%)	24.7	22.5	24.6	11.5
Interest-coverage ratio (times)	253.3	163.1	196.9	67.2
Net debt/equity ratio (times)	-0.4	-0.3	-0.4	-0.3
Equity/assets ratio (%)	70.2	72.3	70.2	72.3
Share of risk-bearing capital (%)	70.2	72.4	70.2	72.4
Capital turnover ratio (times)	2.7	2.4	2.3	2.1
Number of employees (average for period)	380	346	361	343
Sales per employee (SEK M)	2.7	2.3	2.5	2.0
Operating profit per employee (SEK M)	0.3	0.3	0.4	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

	Dec. 31, 2005	Dec. 31, 2004
Share price at end of period, SEK	58.25	18.00
Dividend, SEK	0.50	-
P/E multiple	44	41
Earnings per share before dilution, SEK	1.32	0.44
Earnings per share after dilution, SEK	1.32	0.44
Average number of shares before dilution, thousands	68 906	68 900
Average number of shares after dilution, thousands	69 121	68 900
Number of shares outstanding (thousands)	68 925	68 900

Quarterly data

Invoicing per product group (SEK 000s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2003	2003	2003	2003	2004	2004	2004	2004	2005	2005	2005	2005
Video	78 849	84 522	88 040	104 817	96 744	115 193	117 576	144 563	130 231	183 107	198 422	220 766
Print	60 796	57 795	54 063	46 932	43 053	45 832	39 010	41 154	39 143	36 241	29 775	30 383
Scan	3 042	2 047	2 232	3 033	1 871	935	5 824	2 932	2 038	2 327	2 387	4 298
Other	9 864	8 524	10 428	8 653	10 401	5 614	10 088	10 691	3 359	4 444	4 146	4 000
TOTAL	152 551	152 888	154 763	163 435	152 069	167 574	172 498	199 340	174 771	226 119	234 730	259 447
Invoicing per region	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2003	2003	2003	2003	2004	2004	2004	2004	2005	2005	2005	2005
EMEA	72 859	75 577	74 378	85 525	78 058	81 019	83 022	108 038	80 459	104 242	96 524	129 163
Americas	42 137	41 198	45 592	43 478	39 713	55 127	56 530	55 241	52 934	84 164	100 331	99 733
Asia	37 555	36 113	34 793	34 432	34 298	31 428	32 946	36 061	41 378	37 713	37 875	30 551
TOTAL	152 551	152 888	154 763	163 435	152 069	167 574	172 498	199 340	174 771	226 119	234 730	259 447

Adjustments of the transition to IFRS

Balance sheet

	IAS 21			IFRS		IAS 21		
	CB 2003	IAS 21	IAS 1	IB 2004	CB 2004	IAS 21	IAS 1	CB 2004
Fixed assets	131 785	712		132 497	117 930	457		118 387
Inventories	67 074			67 074	85 788			85 788
Accounts receivable	94 078			94 078	107 032			107 032
Other receivables	37 656			37 656	37 767			37 767
Cash and cash equivalents	102 978			102 978	121 023			121 023
Total	433 571	712	-	434 283	469 540	457	-	469 997
Shareholders' equity	300 324	712		301 036	339 387	457		339 844
Provisions	7 081		-7 081	-	5 960		-5 960	-
Long-term liabilities	10 200		3 903	14 103	6 375		3 903	10 278
Current liabilities	115 966		3 178	119 144	117 818		2 057	119 875
Total	433 571	712	-	434 283	469 540	457	-	469 997

Income statement, adjusted for IFRS

	IAS 21		IFRS		IAS 21		IFRS	
	04 Q4	IAS 21	04 Q4	04 Q4	2004	IAS 21	2004	2004
Net sales	199 340		199 340	199 340	691 481		691 481	691 481
Cost of products and services sold	-93 695		-93 695	-93 695	-331 968		-331 968	-331 968
Gross profit	105 646		105 646	105 646	359 514		359 514	359 514
Other revenues and changes in value	566		566	566	2 663		2 663	2 663
Selling and marketing costs	-37 323		-37 323	-37 323	-154 078		-154 078	-154 078
Administrative costs	-10 481		-10 481	-10 481	-42 277		-42 277	-42 277
Research and development costs	-29 050		-29 050	-29 050	-114 787		-114 787	-114 787
Operating profit	29 358		29 358	29 358	51 035		51 035	51 035
Financial expenses	-180		-180	-180	-760		-760	-760
Restatement of translation difference	1 937	-1 937	-	-	6 794	-6 794	-	-
Pretax profit	31 115	-1 937	29 178	29 178	57 069	-6 794	50 275	50 275
Tax	-14 547		-14 547	-14 547	-19 732		-19 732	-19 732
Net profit for the period	16 568	-1 937	14 631	14 631	37 337	-6 794	30 543	30 543
Earnings per share before dilution, SEK	0.24		0.21	0.21	0.54		0.44	0.44
Earnings per share after dilution, SEK	0.24		0.21	0.21	0.54		0.44	0.44
Average number of shares before dilution, thousands	68 900		68 900	68 900	68 900		68 900	68 900
Average number of shares after dilution, thousands	68 900		68 900	68 900	68 900		68 900	68 900

Effects on opening balance sheet Jan. 1, 2005 of reporting in accordance with IFRS

	IFRS		IFRS adjustments		IFRS	
	CB 2004	IAS 39	IAS 21	IAS 21	IB 2005	IB 2005
Fixed assets	118 387		2 340		120 727	120 727
Inventories	85 788				85 788	85 788
Accounts receivable	107 032				107 032	107 032
Other receivables	37 767		1 223		38 990	38 990
Cash and cash equivalents	121 023				121 023	121 023
Total	469 997	3 563	-	-	473 560	473 560
Shareholders' equity	339 844	3 563			343 407	343 407
Share capital	689				689	689
Translation differences	457		6 794		7 251	7 251
Hedging reserve	-	1 205			1 205	1 205
Restricted reserves	267 361				267 361	267 361
Unrestricted reserves	34 000	2 358			36 358	36 358
Net profit for the year	37 337		-6 794		30 543	30 543
Long-term liabilities	10 278				10 278	10 278
Current liabilities	119 875				119 875	119 875
Total	469 997	3 563	-	-	473 560	473 560

Auditor's 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 and IAS 34.

Lund, February 8, 2006

Öhrling PricewaterhouseCoopers AB

Anders Lundin,
Authorized Public Accountant
Auditor in charge

For further information

You are welcome to participate in Axis' telephone conference for the media and financial analysts February 8, 2006, at 10:00 a.m (CET). A presentation is available at www.axis.com/corporate/investor/

Time: Thursday, February 8, 2006, at 10:00 a.m.

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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.

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