

OPERATIONS

Axis develops products that increase the value of network solutions. The company is an innovative market leader in network video and print servers. Axis' products and solutions are primarily used in applications for security surveillance, remote monitoring and document management. The products are based on internally developed integrated circuits, which are also sold via third-party developers. The company operates globally through offices in 16 countries and in cooperation with distributors, systems integrators and OEM partners in some 70 countries. Markets outside Sweden account for more than 95 percent of its sales. Axis was founded in 1984 and is listed on the O-list of the Stockholm Stock Exchange.

SIGNIFICANT EVENTS

During the year, Axis further consolidated its leading position in the international network video market, particularly through a significantly expanded product range involving a new generation of network cameras and video servers. A total of 20 new video products based on the new internally developed image compression chip, ARTPEC-2, were launched during the year. In 2004 the new technology attracted a great deal of attention in international security trade fairs, where interest in Axis' new products was extremely keen.

Stagnation in the Print product area increased in 2004. Despite this, Axis defended its position as No. 2 in the global market for print servers. Two new print servers adapted for USB connections were introduced. The new products address demands for simplicity and cost-efficiency from small companies and sophisticated home users.

Cooperation with Honeywell was expanded and Axis was appointed strategic supplier of networked video products. In May, the company received a significant order from Honeywell for video servers for a surveillance system for the railroad network in Western Australia. In June, Axis entered into global cooperation with Securitas, which is of major strategic significance. Under this cooperation, the Securitas Systems Division will offer Axis network video products to its global customer base which has to date primarily used analog surveillance technology. During the second half of the year, Axis carried out a substantial training program for Securitas.

Axis has signed several strategic customer contracts indicating a clear acknowledgement of Axis as well as of the increasing significance of network video systems. A number of major orders were received in all customer segments – for example, for school areas in the US and industrial surveillance in Mexico. An

attractive deal with US-based VISICU, which sells network-based systems for remote intensive care, was presented in November.

RESEARCH AND DEVELOPMENT

During 2004, 18 percent of the company's consolidated sales was invested in research and development hardware and software. Costs for research and development did not change significantly compared with the preceding year and amounted to SEK 115 M (112). Capitalized development expenses for the year amounted to SEK 12 M (15). The capitalization principle is described in Note 1 to the financial accounts.

The core component of Axis' products is ETRAX, an application specific chip for connections to fixed and wireless networks. The chip is found in all of the company's products and, combined with Axis' software platforms, represents a highly flexible technological base for rapid and cost-efficient development of world-class products. In 2004, an advanced version of the ETRAX 100LX MCM chip was launched, with a memory module containing sufficient memory to store the entire Linux operating system. This makes ETRAX a Linux computer in a single chip. The second-generation ARTPEC-2 video chip was launched in January.

The introduction of ARTPEC-2, together with a new video-design platform, constitutes a key milestone for Axis.

An active patent strategy is being implemented to protect Axis' investments in core technology and intellectual capital. During the year, eight new patents were granted, mostly within Video. At year-end 2004, the company's portfolio of patents contained 41 patents. Exposure to intellectual risk related to patents is handled by in-house specialists in consultation with external lawyers and advisers. A small number of disputes regarding patent infringements have been discussed to date, but none have resulted in any sanctions against Axis.

Research at Axis currently focuses entirely on three strategic areas: image analysis, chip design on silicon and networks and communications protocols. Technological development focusing on the long term is conducted internally within all areas. Research mainly takes the form of an industrial involvement in various national and local research programs.

FINANCING AND CASH FLOW

On December 31, 2004, funds at the company's disposal totaled SEK 201 M, including liquid funds of SEK 121 M and unutilized credit commitments of SEK 80 M. The company is thus financially strong going into 2005. Cash flow from current operations was SEK 30 M (negative: 2).

Net investments for the year amounted to SEK 15 M (28), while total cash flow was SEK 18 M (negative: 27).

INVESTMENTS

Investments in tangible assets amounted to SEK 4 M (4) and investments in intangible assets totalled SEK 12 M (24). According to the consolidated cash-flow statement, net investments for the year amounted to SEK 15 M (28).

OWNERSHIP STRUCTURE

At the end of the fiscal year, share capital in Axis AB was SEK 689,000, divided among 68,900,000 shares with a par value of SEK 0.01. All shares are of the same share class. After full exercise of outstanding warrants, the dilution effect is 2.84 percent. Axis AB had 9,092 shareholders at the end of the fiscal year. At the same date, the five largest shareholders accounted for 62 percent of both the votes and the capital.

	No. of shares	Proportion of capital and votes, %
M. Karlsson, privately and through company (LMK Industri AB)	15,645,764	22.7
G Kallstrom & Co AB (part of the Skanditek Group)	13,539,765	19.7
M. Gren, through company (Grenspecialisten AB)	7,557,471	11.0
The Fourth AP Pension Fund	3,320,700	4.8
SIF	2,421,500	3.5
Other	26,414,800	38.3
	68,900,000	100.0

FINANCIAL PERFORMANCE AND POSITION

Sales during the year amounted to SEK 691 M (624), an increase of 11 percent compared with 2003. Currency effects had a negative impact of SEK 36 M on earnings. The Video product area grew by 33 percent, from SEK 356 M to SEK 474 M, while the Print product area declined by 23 percent to SEK 169 M. The gross margin was strengthened, from 49.3 percent in the first quarter to 53.0 percent in the fourth quarter, through the introduction of the new generation of video products. The accumulated gross margin for the full year amounted to 52.0 percent.

The Group's operating profit amounted to SEK 48 M (1), an improvement of SEK 47 M compared with 2003. The operating margin rose from 0.2 percent in 2003 to 7.0 percent in 2004. Currency effects had a negative effect of SEK 1 M on operating profit.

Profit after financial items totaled SEK 57 M (8), representing an improvement of SEK 49 M compared with the preceding year.

CONDENSED INCOME STATEMENT, SEK 000s

	Q1, 04	Q2, 04	Q3, 04	Q4, 04	Total
Net sales	152,069	167,574	172,498	199,340	691,481
Gross profit	74,915	86,585	92,368	105,646	359,514
Gross margin, %	49.3%	51.7%	53.5%	53.0%	52.0%
Operating profit/loss	-5,942	7,885	17,637	28,792	48,372
Operating margin, %	-3.9%	4.7%	10.2%	14.4%	7.0%
Profit/loss after financial items	-1,644	9,001	18,597	31,115	57,069
Profit margin, %	-1.1%	5.4%	10.8%	15.6%	8.3%

KEY RATIOS FOR THE GROUP

	2004	2003	2002	2001	2000
	8 months				
Net sales, SEK M	691	624	670	696	494
Profit/loss after financial items, SEK M	57	8	51	-150	-171
Total assets, SEK M	470	434	430	489	616
Equity/assets, %	72%	69%	73%	56%	64%
Return on total capital, %	13%	2%	12%	-19%	-34%
Return on equity, %	13%	2%	13%	-46%	-84%
Earnings per share before dilution, SEK	0.54	-0.04	0.52	-1.31	-2.60
Earnings per share after dilution, SEK ¹⁾	0.54	-0.04	0.52	-1.31	-2.60
No. of shares before dilution, average, thousands	68,900	68,900	68,900	68,900	65,775
No. of shares after dilution, average, thousands	68,900	68,900	68,985	68,900	65,775
No. of employees at year-end	346	362	344	324	581

¹⁾ No dilution effect when earnings are negative. See Note 28 for definitions.

FORMAL WORK PLAN FOR THE BOARD OF DIRECTORS

The Board of Directors consists of five members elected by the Annual General Meeting. During the fiscal year, the Board held seven meetings. The Board of Directors works with an annual plan for agenda items and is in other respects subject to the special working procedure that the Board of Directors has established regarding the division of responsibilities between the Board of Directors and the President.

The Board of Directors has appointed a Compensation Committee whose primary assignment is to prepare decisions and guidelines relating to salaries and other terms of employment for personnel, the President and those members of the Board of Directors who receive remuneration other than that approved by the Annual General Meeting. The Compensation Committee consisted of Patrik Tigerschiöld and Lars-Erik Nilsson.

The Nomination Committee consists of representative of the three largest owners – Mikael Karlsson (LMK Industri AB), Patrik Tigerschiöld (Skanditek Industrieförvaltnings AB) and Martin Gren (AB Grenspecialisten). Meetings are called by Mikael Karlsson,

who is also the Chairman of the Board and the largest shareholder.

Contacts between the Board of Directors and the auditors took place through audit meetings between the Chairman of the Board and the auditors. Additionally, the auditors participated in two of the company's Board meetings during the year.

TRANSITION TO INTERNATIONAL REPORTING STANDARDS

From the beginning of the 2005 fiscal year, the Axis Group will adopt the International Financial Reporting Standards (IFRS) – formerly IAS. The 2004 Annual Report will therefore be the last annual report to be prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council. The interim report for the first quarter of 2005 and the annual report for 2005 will contain a reconciliation of the consolidated financial statements for 2004 in accordance with IFRS and in accordance with the accounting principles currently applied by the Group.

The Swedish Financial Accounting Standards Council has gradually adapted to IFRS. However, a number of differences remain between the Swedish Financial Accounting Standards Council's recommendations and IFRS. The number of differences is growing as a result of changes currently being implemented in IFRS. Not all IFRS that are to be applied in 2005 are yet available in their definitive form. Developments are being constantly monitored and adjustments to the new regulations are gradually being made. Based on what is known at present, the main difference between the Group's current accounting principles and IFRS will relate to the reporting of financial instruments and the translation of subsidiaries' results. More instruments will be reported at their net realizable (fair) value and requirements regarding hedge accounting will be tightened. Subsidiaries' results will be translated in accordance with the current method instead of the MIM method. A bridge between January 1, 2004 opening balance as calculated in accordance with the recommendations of the Swedish Financial Accounting Standards Council and as calculated pursuant to IFRS, including comments on and key differences between the Swedish principles and the 2005 IFRS principles as they pertain to 2004, is presented under a special heading in Note 1 to the financial statements.

FINANCIAL RISKS

The Group's international operations involve several financial market risks, which are dealt with in accordance with policies established by the board. The overall aim is that the Group's financial function provide

ongoing financing to Group companies and manage financial risks so that their effects on Group results are minimized. The Group is exposed primarily to financing, currency and credit risks. Interest risk is deemed to be negligible. For further information, see Note 1 to the financial accounts.

OUTLOOK FOR 2005

Axis believes the video market will continue to grow and develop at a fast pace, which logically will present Axis with good growth opportunities. The principal driving force behind this market force continues to be the transition from analog to digital solutions. The market for print-server solutions must be regarded as mature, which limits expectations in the Print product area and will adversely impact OEM sales. Despite this, the conditions for achieving greater growth and further profitability improvement are considered favorable.

Given this background, the goal for the next three to five years is an average annual total growth of about 20 percent for the Group. At the same time, Axis shall achieve its profitability targets. Given the current market trend, the company's goal is to achieve a 10-percent profit margin in the years ahead. The equity/assets ratio shall at no time be lower than 50 percent.

PARENT COMPANY

The Parent Company's operations are primarily focused on Group administration. The Parent Company has no employees. Sales to Group companies were insignificant. There were no purchases from Group companies. The Parent Company reported a profit after financial items of SEK 60 M (7).

PROPOSED DISTRIBUTION OF EARNINGS IN PARENT COMPANY

The following funds are at the disposal of the Annual General Meeting:

Profit brought forward	SEK 46,280,186
Profit for the year	SEK 45,396,731
Total	SEK 91,676,917

The Board of Directors and the President propose that the funds at the disposal of the Annual General Meeting be treated as follows:

Dividend of SEK 0.50 to be distributed to shareholders	SEK 34,450,000
Profit carried forward	SEK 57,226,917
Total	SEK 91,676,917

Consolidated unrestricted equity amounted to SEK 71 M. No transfers from consolidated unrestricted equity to restricted equity are proposed.

INCOME STATEMENTS

SEK 000s	Note	GROUP			PARENT COMPANY	
		Jan. 1, 04– Dec. 31, 04	Jan. 1, 03– Dec. 31, 03	Jan. 1, 02– Dec. 31, 02	Jan. 1, 04– Dec. 31, 04	Jan. 1, 03– Dec. 31, 03
Net sales	2	691,481	623,637	670,277	4,978	3,488
Cost of goods and services sold		-331,968	-301,906	-286,270	-	-
Gross profit		359,514	321,731	384,007	4,978	3,488
Selling costs		-152,025	-165,062	-177,522	-	-
Administrative expenses		-42,277	-44,766	-56,334	-7,497	-6,894
Research and development expenses		-114,787	-111,982	-117,847	-	-
Other operating income	5	-	1,221	7,354	-	-
Other operating expenses	5	-2,053	-	-	-	-
Net operating profit/loss	3, 4, 12	48,372	1,142	39,658	-2,519	-3,406
Result from financial investments						
Interest income and similar income items	6				55,887	-19,413
Interest expense and similar expense items	7	9,457	7,832	14,018	16,046	45,735
Räntekostnader och liknande resultatposter	8	-760	-649	-2,240	-9,053	-15,755
Profit/loss after financial items		57,069	8,324	51,436	60,361	7,161
Change in tax equalization reserve		-	-	-	5,036	14,403
Tax	11	-19,732	-10,900	-15,581	-20,000	-8,751
NET PROFIT/LOSS FOR THE YEAR		37,337	-2,576	35,855	45,397	12,813
Earnings per share before dilution, SEK		0.54	-0.04	0.52		
Earnings per share after dilution, SEK		0.54	-0.04	0.52		
Number of shares before dilution, average, thousands		68,900	68,900	68,900		
Number of shares after dilution, average, thousands		68,900	68,900	68,985		
Proposed dividend, SEK		0.50	-	0.15		

BALANCE SHEETS

	Note	GROUP			PARENT COMPANY	
		Dec. 31, 04	Dec. 31, 03	Dec. 31, 02	Dec. 31, 04	Dec. 31, 03
ASSETS, 000s						
Fixed assets						
Intangible fixed assets						
Capitalized expenses for development work	13	32,614	20,324	5,658	–	–
Rights	14	5,983	9,131	782	–	157
Other intangible fixed assets	15	11	102	460	–	–
Total intangible fixed assets		38,608	29,557	6,900	–	157
Tangible fixed assets						
Machinery and equipment	16	7,276	11,159	14,999	–	–
Total tangible fixed assets		7,276	11,159	14,999	–	–
Financial fixed assets						
Equity in subsidiaries	17	–	–	–	742	742
Other securities held as fixed assets	18	–	–	–	–	–
Shares in tenant owners' association	19	676	676	676	–	–
Deferred tax receivables	20	69,302	87,423	97,480	63,807	83,807
Long-term receivables		2,068	2,970	2,379	–	–
Total financial assets		72,046	91,069	100,535	64,549	84,549
Total fixed assets		117,930	131,785	122,434	64,549	84,706
Current assets						
Inventories						
Goods for resale		85,788	67,074	57,994	–	–
Total inventories		85,788	67,074	57,994	–	–
Receivable						
Receivable from Group companies		–	–	–	284,056	302,739
Accounts receivable – trade		107,032	94,078	88,385	–	–
Tax receivables		4,663	4,966	2,307	–	–
Other receivables		11,697	10,539	8,836	2,120	10
Prepaid expenses and accrued income	22	21,407	22,151	20,571	7,166	4,503
Total receivables		144,799	131,734	120,099	293,342	307,252
Cash and bank deposits						
Cash and bank deposits		121,023	102,978	129,956	37,792	–
Total cash and bank deposits		121,023	102,978	129,956	37,792	–
Total current assets		351,610	301,786	308,049	331,134	307,252
TOTAL ASSETS		469,540	433,571	430,483	395,683	391,958

CHANGE IN CONSOLIDATED EQUITY

	Share capital	Restricted reserves	Non-restricted reserves	Total equity
Equity, December 31, 2001	689	333,937	–61,612	273,014
Transfers between restricted and non-restricted equity	–	5,412	–5,412	–
Profit/loss for the year	–	–	35,855	35,855
Share premium upon issuance of debt instruments with attached warrants	–	925	–	925
Exchange-rate change on warrants held by the Company ¹⁾	–	–196	–	–196
Vesting of stock options in Axis Inc. in the US ²⁾	–	2,934	–	2,934
Reduction of premium fund	–	–58,973	58,973	–
Equity, December 31, 2002	689	284,039	27,804	312,532
Transfers between restricted and non-restricted equity	–	–19,335	19,335	–
Profit/loss for the year	–	–	–2,576	–2,576
Dividend	–	–	–10,335	–10,335
Exchange-rate change on warrants held by the Company ¹⁾	–	43	–	43
Vesting of stock options in Axis Inc. in the US ²⁾	–	661	–	661
Equity, December 31, 2003	689	265,408	34,227	300,324
Transfers between restricted and non-restricted equity	–	55	–55	–
Profit/loss for the year	–	–	37,337	37,337
Recovered VAT on issuance costs	–	1,748	–	1,748
Exchange-rate change on warrants held by the Company ¹⁾	–	18	–	18
Vesting of stock options in Axis Inc. in the US ²⁾	–	132	–	132
Other adjustments	–	–	–172	–172
Equity, December 31, 2004	689	267,361	71,337	339,387

1) Pertains to warrants acquired for further sale to employees in the US subsidiary, Axis Inc. The item is booked locally in the USD and eliminated against equity at the closing rate.

2) Pertains to stock options acquired for further sale to employees in the US subsidiary, Axis Inc. Stock options are expensed continually in pace with their being earned by the personnel.

	Note	GROUP			PARENT COMPANY	
		Dec. 31, 04	Dec. 31, 03	Dec. 31, 02	Dec. 31, 04	Dec. 31, 03
EQUITY AND LIABILITIES, 000s						
Equity	21					
Restricted equity						
Share capital		689	689	689	689	689
Statutory reserve		-	-	-	1,024	1,024
Premium reserve		-	-	-	293,301	291,552
Restricted reserves		267,361	265,408	284,039	-	-
Total restricted equity		268,050	266,097	284,728	295,014	293,265
Non-restricted equity						
Non-restricted reserves		34,000	36,803	-8,051	-	-
Total assets		-	-	-	46,280	33,467
Profit/loss for the year		37,337	-2,576	35,855	45,397	12,813
Total non-restricted equity		71,337	34,227	27,804	91,677	46,280
Total equity		339,387	300,324	312,532	386,691	339,546
Untaxed reserves						
Tax allocation reserve	24	-	-	-	-	5,036
Total untaxed reserves		-	-	-	-	5,036
Provisions						
Provisions	23	5,960	7,081	3,826	-	-
Total provisions		5,960	7,081	3,826	-	-
Liabilities						
Long-term liabilities	25					
Liabilities to credit institutions		6,375	10,200	-	-	-
Total long-term liabilities		6,375	10,200	-	-	-
Current liabilities						
Group account		-	-	-	-	37,933
Liabilities to Group companies		-	-	-	8,306	8,306
Accounts payable – trade		56,498	60,442	50,342	-	-
Other liabilities		6,473	5,083	5,280	-	-
Accrued expenses and deferred income	26	54,847	50,441	58,503	686	1,137
Total current liabilities		117,818	115,966	114,125	8,992	47,376
Total liabilities		124,193	126,166	114,125	8,992	47,376
TOTAL EQUITY AND LIABILITIES		469,540	433,571	430,483	395,683	391,958
MEMORANDUM ITEMS						
Pledged assets		NONE	NONE	NONE	NONE	NONE
Contingent liabilities	27	NONE	NONE	NONE	7,513	3,585

CHANGE IN THE PARENT COMPANY'S EQUITY

	Share capital	Statutory reserve	Premium reserve	Total assets	Net profit or loss	Total equity
Equity, December 31, 2002	689	1,024	291,552	-	43,802	337,067
Transfer of net profit/loss for the year	-	-	-	43,802	-43,802	-
Dividend	-	-	-	-10,335	-	-10,335
Net profit/loss for the year	-	-	-	-	12,813	12,813
Equity, December 31, 2003	689	1,024	291,552	33,467	12,813	339,546
Transfer of net profit/loss for the year	-	-	-	12,813	-12,813	-
Restituted VAT on issuance costs	-	-	1,748	-	-	1,748
Net profit/loss for the year	-	-	-	-	45,397	45,397
Equity, December 31, 2004	689	1,024	293,301	46,280	45,397	386,691

As in the preceding year, the company's shareholders' equity consists of 68,900,000 shares of the same class, each having a par value of SEK 0.01.

The company's legal form is that of a public limited company. The country of registration is Sweden and the registered office of the company is in Lund, which is also its principal operating site.

At the Annual General Meeting on April 19, a dividend of SEK 0.50 per share for 2004 will be proposed. No dividend was distributed for 2003.

CASH-FLOW STATEMENTS

SEK 000s	Note	GROUP			PARENT COMPANY	
		Jan. 1, 04– Dec. 31, 04	Jan. 1, 03– Dec. 31, 03	Jan. 1, 02– Dec. 31, 02	Jan. 1, 04– Dec. 31, 04	Jan. 1, 03– Dec. 31, 03
Current operations						
Operating profit/loss before financial items		48,372	1,142	39,658	-2,519	-3,406
Depreciation and amortization	12	10,501	9,054	13,712	156	626
Other items not affecting liquidity		-272	4,525	-7,204	-	-
		58,601	14,721	46,166	-2,363	-2,780
Financial income received	9	2,663	5,317	6,600	2,842	7,098-
Group contribution received		-	-	-	59,743	-
Financial expense paid	10	-1,076	-688	-2,758	-749	-559
Group contribution paid		-	-	-	-3,856	-19,413
Adjustment for Group contributions not affecting cash flow		-	-	-	-75,300	27,862
Tax paid		-1 307	-4 071	-4 189	-	-
		280	558	-347	-17,320	14,988
Change in inventories		-18,714	-9,080	-11,366	-	-
Change in accounts receivable		-12,954	-5,693	17,954	-	-
Change in other current receivables		1,334	-4,228	-10,197	91,002	-115,485
Change in accounts payable – trade		-3,945	10,101	-32,603	-	-
Change in other current operating liabilities		5,241	-8,219	-2,794	-178	-44
		-29,038	-17,119	-39,006	90,824	-115,529
Cash flow from current operations		29,843	-1,840	6,813	71,141	-103,321
Investing activities						
Investments in intangible fixed assets		-12,290	-23,640	-5 692	-	-
Investments in tangible fixed assets		-3,619	-4,204	-9,572	-	-
Sale of tangible fixed assets		240	-26	-575	-	-
Investments in other financial fixed assets		902	-592	435	-	-
		-14,767	-28,462	-15,404	-	-
Cash flow from investing activities		-14,767	-28,462	-15,404	-	-
Financing activities						
Share premium upon issue of debt instruments		-	-	925	-	-
Dividends paid		-	-10,335	-	-	-10,335
Change in long-term liabilities		-3,400	10,200	-50,000	-	-
Exchange rate differences		6,369	3,459	6,849	4,584	23,403
		2,969	3,324	-42,226	4,584	13,068
Cash flow from financing activities		2,969	3,324	-42,226	4,584	13,068
Cash flow for the year		18,045	-26,978	-50,817	75,725	-90,253
Liquid funds at the beginning of the year		102,978	129,956	180,773	-37,933	52,320
Change in liquid funds		18,045	-26,978	-50,817	75,725	-90,253
Liquid funds at the end of the year		121,023	102,978	129,956	37,792	-37,933

Note 1 Accounting principles

The annual report and consolidated financial statements were prepared in accordance with the Swedish Annual Accounts Act and the recommendations and opinions of the Swedish Financial Accounting Standards Council. The accounting principles are unchanged from the preceding year. Recommendations issued by the Swedish Financial Accounting Standards Council, and which came into effect as of 2004 have not entailed any changes in accounting principles.

Consolidated financial statements

The consolidated financial statements include the Parent Company and the companies in which the Parent Company, directly or indirectly, controls more than 50 percent of votes as of the end of the fiscal year. Companies acquired during the year are included in the consolidated income statement with values commencing on the date of acquisition.

The consolidated accounts were prepared using the acquisition method, by which the acquisition value of shares in subsidiaries are eliminated against each subsidiary's equity as of date of acquisition. Equity is determined on a market appraisal of assets, provisions and liabilities as of the date of acquisition. To the extent there are untaxed reserves in acquired companies, a provision is made for deferred tax on such reserves, based on the tax rate in effect in the company's country of domicile. This tax is reported among provisions for taxes.

If the acquisition value of the shares in subsidiaries exceeds the value of acquired equity computed as described above, the difference is attributed to goodwill, which is amortized over its estimated useful life.

Companies acquired during the year are included in the consolidated financial statements as of the date they are acquired. Companies sold during the year are included in the consolidated financial statements until the date of sale. All companies included in the consolidated accounts apply the same accounting principles. No acquisitions or divestments took place in 2004.

Translation of foreign subsidiaries

All foreign subsidiaries within the Axis Group have been classified as integrated foreign business entities. Accordingly, the monetary/non-MIM method is applied for the translation of the financial statements of foreign subsidiaries. This means that the monetary assets and liabilities of foreign subsidiaries are translated at the closing day rate, while non-monetary assets are translated at the historical rate. All income statement items are translated at the average rate for the year. Translation differences are reported in the net profit or loss from financial investments.

When the Parent Company or another Group company in the Axis Group employs hedging in order to capitalize and shield against exchange rate differences on net investments in a subsidiary, the exchange difference on the hedging instrument is recorded directly against income from financial investments to the extent that it relates to a corresponding translation difference recorded during the year for the subsidiary.

Tax effects are taken into account upon unequal valuation of assets and liabilities at the Group or company level, which are reported as long-term or deferred tax liability. However, in accordance with Recommendation 9 issued by the Swedish Financial Accounting Standards Council, deferred tax on consolidated positive or negative goodwill is not taken into account.

Foreign currency

Current receivables and liabilities in foreign currency are translated at the year-end rate. Exchange rate differences are included in other operating revenues or operating expenses. Transactions in foreign currency are translated using the exchange rate on the transaction date. Accounting for hedging is applied to hedging of future currency flows. The net profit or loss from hedging transactions is reported in the income statement for the same period as the underlying flows, that is, when the hedging instrument expires.

Inventories

Goods for resale are valued at the lower of cost or market value as of closing day, with the FIFO principle applied. Internal gains upon transactions between Group companies are eliminated.

Receivables

Receivables are reported in the amounts at which they are expected to be paid.

Research and development expenditures

Axis' technology is based on in-house developed ASIC (Application Specific Integrated Circuit) platforms, which constitute the core in Axis products.

As of fiscal year 2002, the development of new platforms is capitalized during the development period and depreciated over the expected economic lifetime. Network applications based on these platforms, such as network cameras and print servers, are considered as adaptations of the core product. Adaptations of the platforms for various network applications are not capitalized. Expenses for research are charged against income as they occur. Up until the fiscal year 2001, all expenditures relating to research and development were charged against income as they occurred.

Income recognition

Net sales are reported at delivery of the goods and acceptance by the customer. Sales are reported after deductions for sales taxes and discounts, and after elimination of intra-Group sales.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are reported at the acquisition cost less depreciation and amortization according to plan. There are no pledges or commitments on future investments.

In cases in which the reported value of an asset exceeds its estimated recovery value, the asset is immediately written down to its recovery value.

Planned depreciation and amortization are normally based on the original acquisition value and the estimated useful life of the asset, in accordance with the following:

Machinery and equipment	3–10 years
Land improvements	5 years
Capitalized development projects	3 years
Software	3 years
Rights	5 years

Income taxes

The reported tax expense includes tax that is to be paid or received for the particular year, adjustments of tax for prior years and changes in deferred tax. The valuation of all tax liabilities and receivables is at nominal amounts and is conducted in accordance with the tax regulations and rates that have been decided or which have been announced and are most likely to be set. Thus, related tax effects are reported in the income statement for income-statement items. The tax effects of items reported directly against shareholders' equity are reported against equity. Deferred tax is calculated and reported in accordance with the balance sheet method on all temporary differences that arise between the reported fiscal values for assets and liabilities for tax purposes. The temporary differences have primarily arisen as a result of accumulated loss carry-forwards.

Deferred tax receivables and deferred tax liabilities with the same tax authorities are reported as a net amount in the balance sheet.

Deferred tax assets relating to accumulated loss carry-forwards are capitalized to the extent that it is deemed probable that the loss carry-forward can be utilized against future taxable surpluses. Deferred tax liabilities for temporary differences that are attributable to investments in subsidiaries are not reported when the Parent Company in all cases can control the date for the reversing of the temporary differences and it is not deemed likely that a reversal will be conducted in the foreseeable future.

The early application of Recommendation 9, Income Tax, as of December 31, 2000 only affected the consolidated accounts. As of December 31, 2001, the Parent Company's accounts are also affected.

Untaxed reserves are reported in the Parent Company due to their link to taxes.

Cash-flow statement

The cash-flow statement was prepared in accordance with the Swedish Financial Accounting Standards Council's Recommendation 7 in accordance with the indirect method. The change in liquid funds for the year is divided into operations, investment operations and financing operations. The starting point for the indirect method is the operating profit or loss adjusted for those transactions that do not entail cash payments. Liquid funds refer to cash and bank balances,

as well as current investments. All items included in liquid funds can be converted to cash relatively quickly.

Leasing

Leasing fees for rented equipment are normally expensed during the rental period. The Group does not currently have any significant financial leasing agreements, meaning that all of the Group's leasing agreements are considered as operational for accounting purposes. The Group's operational leasing agreements amount to insignificant amounts and pertain primarily to a minor number of office machines.

Provisions

Provisions are reported when the Group remains under legal or informal obligation as a result of previous events and where an outlay or resources to regulate the commitment is probable and where it is possible to calculate the amount in a reliable manner. Provision is made in the amount expected to be paid.

Segment reporting

Operations should include products that are subject to risk and a return that differs from other areas of operations. This is not the case in the Axis Group. The Group's joint technology platform is the basis for all products. The development and sales organization and customer groups are virtually identical. In view of this, the Axis Group reports only a primary segment, which is the joint technology platform. Thus, segment information encompasses by the Group as a whole.

Axis is active in different geographical areas, providing products within a specific economic environment, which varies from the risk and return applying to units active in other economic environments.

Loan costs

All loan costs are expensed as they arise.

Share-based payments

The Axis Group has outstanding option programs for its employees in Europe, the US and Asia. For the programs designed for employees in Europe and Asia, warrants, priced at market rates, have been transferred to the employees. The proceeds of these transfers have been deposited in the premium reserve. In conjunction with financial reports, still-untransferred warrants have been eliminated against restricted consolidated shareholders' equity. For the programs designed for employees in the US, American stock options corresponding to the actual value of the warrants are written off as they are transferred to the employees during the warrant period. When warrants are acquired by employees, the proceeds are entered against restricted equity. At future exercise of the options, share capital will increase with each newly issued share's par value and the related premium is transferred to the share premium reserve.

Financial instruments

The Group's international operations give rise to a number of financial market risks that are handled in line with the policies established by the Board. The overall objective is that the Group's finance function continually provides financing to Group companies and handles financial risks so that the effects on the Group's earnings is minimized. The group is primarily exposed to financing, currency, and liquidity and credit risks. Total credit granted amounted at year-end 2004 to SEK 80 M distributed among two contracts. The credit agreements expire on May 31, 2006 and February 27, 2006, respectively. Interest risk is regarded as insignificant. Interest risk refers to the risk that changes in interest rates affects the Group's net financial items.

Finance risk arises when, at any given time, there are difficulties in obtaining financing. To minimize the costs of the Group's borrowing and financing, the finance function should provide credit flows that cover Group requirements for working credits. The average maturity of outstanding loans and credits must always be an average six months with a maximum maturity for individual credits up to one year. The Group's credit facilities must never expire during the same quarter. All borrowing is done in consultation with the Parent Company's finance function.

The Group's currency risk consists, in part, of transaction risk that arises in conjunction with purchases and sales in foreign currencies and, in part, of trans-

lation risk, which is attributable to short-term net assets in foreign subsidiaries in accordance with the MIM method. The Group's policy is to hedge at least 80 percent of the translation risk, as defined below. As regards the hedging of the Group's cash flow, see definition below, 50 percent is hedged for the coming 3–12 months. Currency futures are used primarily. Currency swaps and currency options are used to a limited extent.

The Group's credit policy has clear guidelines governing the provision of credit to customers and when collateral is required. The Group management is of the opinion that there is no major concentration of credit risk in relation to any particular customer, counter-party or geographic region. For investment of liquid assets, only financial instruments with a Moody's rating of P1 or K1, or Standard & Poor's A1, are used.

Financial derivatives are reported initially at their acquisition value on the balance sheet. Subsequently, the instrument is calculated at the prevailing market value on subsequent closing dates. The method for reporting results arising depends on the character of the expected net flow. When a derivative instrument is taken up, it has the character either of a reported working asset or working liability (market value hedging) or hedging of a planned transaction or a definitive undertaking (cash flow hedging).

Changes in the value of derivatives whose market value is hedged are reported in the income statement along with any changes in market value of the assets and liabilities covered by risk hedging. The market value period is the period that the underlying net liability or net asset is expected to fall due for payment, and is currently up to two months.

Changes in market value of derivatives categorized as cash flow hedging are not reported in the income statement or balance sheet. Deferred hedge accounting is applied, which means that the result is reported in the income statement when a derivative is within the period for market value hedging. The time period for cash flow hedging is 12 months and refers to the net flow in the currencies that are qualified in accordance with the Group's finance policy. The effect on shareholders' equity of signed but not reported futures contracts amounts to SEK 1,844 M.

The market value of currency futures, currency swaps and currency options is calculated using the prevailing spot and future prices on the closing date. The table below shows a compilation of cash flow hedges as of December 31, 2004. Market value hedges are included in consolidated earnings.

There are no significant differences between book values and fair values.

Currency	Translation hedging			Cash-flow hedging		
	Exposure	Total derivatives	Hedged portion	Exposure	Total derivatives	Hedged portion
EUR	5,440	5,000	92%	21,158	7,000	33%
JPY	194,00	160,000	82%	192,508	60,000	31%
USD	-	-	-	1,590	-	0%

Transition to IFRS

As of 2005, the company's financial reporting will comply with the accounting principles stipulated by IFRS. While the recommendations of the Swedish Financial Accounting Standards Council have been gradually adapted to comply with IFRS, a number of differences remain that have an effect on the company's accounts. The differences pertain primarily to the reporting of financial instruments and translation of foreign subsidiaries.

To evaluate the effects of the transition to IAS and subsequently to IFRS, a project group was set up in 2002 under the direction of the Group Controller and supported by the company's auditors. Identified key effects have been reported on an ongoing basis to Group Management and the Board. The company's financial manual and reporting routines have been adapted on a continuous basis to meet the changed regulatory system. Axis will report in accordance with IFRS requirements for the first time in conjunction with the interim report for the first quarter of 2005. Information concerning the opening balance for 2004, adjusted to comply with IFRS, is presented below. In the 2005 interim reports, the figures will be adjusted in accordance with IFRS. Accounting in accordance with IFRS will be effected through the establishment of an opening balance in accordance with IFRS as per January 1, 2004. IFRS is subject to ongoing review and approval by the EU, so further changes may still occur. The following table illustrates the essential differences between the current accounting principles in accordance with the recommendations of the Swedish Financial Reporting Stan-

Effects of application of IFRS

	Closing balance 2003	Recalculation of subsidiaries, IAS 21	IFRS opening balance 2004	Closing balance 2004	Recalculation of subsidiaries, IAS 21	IFRS closing balance 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
Liquid funds	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	6,830		6,830
Long-term liabilities	10,200		10,200	6,375		6,375
Current liabilities	115,966		115,966	116,948		116,948
Total	433,571	712	434,283	469,540	457	469,997

dards Council and the IFRS principles that will be applied as of 2005, and how they would have affected the company's position if they had been applied in the 2004 Year-end report. The translation differences according to the MIM method amount to SEK 6,794 tkr for 2004 and are the only identifiable difference that impacts the 2004 income statement.

The introduction of IAS 39, "Financial instruments," will result in cash-flow hedging being regularly reported on the income statements and balance sheets. Prior to the introduction of IAS 39, "Deferral hedge accounting" was applied, the result being that net profit/loss was reported in the income statement when the derivative had fallen within the period for market-value hedgings. The period for cash-flow hedging is between months 3–12, and refers, up to and including 2004, to net flows denominated in the currencies that qualify under the Group's financial policy. In 2005, Axis will cease to hedge net flows and instead hedge defined shares of gross flows in the particular currencies. Most significant current hedge accounting activities will qualify for hedge accounting under IAS 39. Axis intends to practice hedge accounting in the future. IAS 39 will be applied as of January 1, 2005. Effects on the opening balance relating to IAS 39 will be reported in the 2005 interim reports.

The introduction of Effects of changes in foreign exchange rates (IAS 21) will result in Axis moving from having earlier applied the MIM method to applying the current method in translating the financial statements of its foreign subsidiaries. The translation difference arising from the MIM method, combined with the outcome from hedging of net investments in the subsidiaries, is reported in the income statement under Profit/loss from financial investments. The most significant consequence of the shift to the current method is that the translation difference, combined with the outcome from hedging of net investments in the subsidiaries, is reported directly in shareholders' equity instead of via the income statement. Accumulated translation differences will be reported separately as of January 1, 2004.

Note 2 Information about product areas and geographical market

Net sales are distributed by product areas as follows	2004	Group 2003	2002
Video	474,076	356,228	301,476
Print	169,049	219,586	277,934
Scan	11,562	10,354	13,082
Store	9,687	18,366	32,104
Access	3,938	2,053	5,795
Other	23,169	17,050	39,886
Total	691,481	623,637	670,277

Net sales are distributed by geographical market as follows	2004	Group 2003	2002
EMEA (Europe, including Middle East and Africa)	350,137	308,339	315,903
Asia	134,733	142,893	174,194
North and South America	206,611	172,405	180,180
Total	691,481	623,637	670,277

The reported value of assets and investments are distributed by geographic area on the basis of where the assets are located when these amount to a minimum of 10 percent of the group's total assets.

Group	Assets			Investments		
	2004	2003	2002	2004	2003	2002
EMEA (Europe, including Middle East and Africa)	179,620	124,644	160,431	13,427	27,435	14,911
Asia	63,278	61,587	77,058	1,332	736	174
North and South America	97,851	72,484	74,981	8	291	319
Total	340,749	258,715	312,470	14,767	28,462	15,404

Note 3 Personnel

The average number of employees and their distribution by gender during the year was:

	Women			Men			Total		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Parent Company	-	-	-	-	-	-	-	-	-
Denmark	-	-	-	2	0	-	2	-	-
France	4	4	4	7	7	7	11	11	11
Japan	8	10	9	9	10	11	17	20	20
Netherlands	1	1	1	3	3	3	4	4	4
Singapore and Asia Pacific	12	12	10	16	17	15	28	29	25
Spain and Italy	3	2	2	8	7	5	11	9	7
United Kingdom	1	1	1	4	4	3	5	5	4
Sweden	54	55	47	183	191	184	237	246	231
Germany	2	3	2	5	7	6	7	10	8
US	8	7	7	13	15	17	21	22	24
Group total	93	95	83	250	261	251	343	356	334

Salaries and other remuneration amounted to:

	Bord Et President			Others			Total		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Parent Company	-	-	-	-	-	-	-	-	-
Denmark	-	-	-	920	73	-	920	73	-
France	-	-	-	6,265	7,113	6,227	6,265	7,113	6,227
Japan	-	-	-	8,947	10,989	14,767	8,947	10,989	14,767
Netherlands	-	-	-	2,077	1,797	1,859	2,077	1,797	1,859
Singapore and Asia Pacific	-	-	-	7,798	7,416	8,291	7,798	7,416	8,291
Spain and Italy	-	-	-	4,442	2,977	2,424	4,442	2,977	2,424
United Kingdom	-	-	-	4,175	3,954	3,869	4,175	3,954	3,869
Sweden	3,198	3,859	3,652	93,699	91,810	96,332	96,560	95,669	99,984
Germany	-	-	-	4,592	6,232	4,504	4,592	6,232	4,504
US	-	-	-	15,854	17,472	20,644	15,854	17,472	20,644
Group total	3,198	3,859	3,652	148,769	149,833	158,917	151,630	153,692	162,569

Wages, salaries and other remuneration to the Board of Directors and the President were paid through the subsidiary Axis Communications AB. All Board members and the President are men, as was the case in the preceding year.

	Salaries and remuneration			Employer's contributions			(of which, pension costs)		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	151,630	153,692	162,569	57,732	60,919	55,062	16,230	17,419	12,487
Group total	151,630	153,692	162,569	57,732	60,919	55,062	16,230	17,419	12,487

Remuneration to Board	Group		
	2004	2003	2002
Board fees	600	600	500
	600	600	500

Remuneration to senior executives and close associates

The Chairman of the Board of Directors and its members receive remuneration in accordance with the Annual General Meeting's decisions. Of the remuneration so established, SEK 300,000 is paid to the Chairman of the Board and SEK 100,000 to each of the Board members who are not employees of the Axis Group. Board members who are employees of the Axis Group receive no remuneration for Board work. No special remuneration is received for committee work.

Remuneration to the President and other senior executives consists of a basic salary, variable compensation and a pension. Other senior executives consist of the five persons who together with the President constitute Group management.

The division between basic salary and bonus should be in relation to the executive's responsibility and authority. For the President, the bonus is a maximum of SEK 5,000,000. For other senior executives, bonus is at most SEK 1,500,000 per person. The bonus to the President and senior executives is based entirely on financial targets of the group. An operating margin of 25 percent and growth of 45 percent is required for maximum bonus. The 2004 budget year was charged with a bonus of SEK 337,000 to the President and SEK 335,000 to the other senior executives.

Remuneration and other benefits received by senior executives are reported in the table below.

	Basic salary/ fees	Bonus	Other benefits	Pension costs	Other re- muneration	Total
Chairman of the Board	674	-	1	-	-	675
President	1,658	337	-	478	-	2,473
Other senior executives ¹⁾	6,015	355	-	1,115	-	7,485
Employed Board member	603	2	-	128	-	733
	8,950	694	1	1,721	-	11,366

1) As in the preceding year, four of the five senior executives are men and one is a woman.

The bonus reported in 2005 in the table above refers to the bonus for 2004. No bonus was paid in 2004 to the President or the senior executives. Refer also below for how the bonus is calculated.

Other Benefits and Other Remuneration are received on the same grounds as for other employees.

Retirement age for the President is 65. The pension premium shall amount to 35 percent of the pensionable salary up to 28.5 base insurance amounts. A 25-percent premium is payable for salaries higher than 28.5 base insurance amounts.

Other senior executives are subject to the ITP agreement, which involves a retirement age of 65.

On February 12, 2003, the Chairman of the Board of Directors, who was employed by the Company up until October 31, 2002, signed an agreement that gives Axis the right to buy on current account consulting services from LMK Industri AB, which is owned by him. Fees for fiscal 2004 amount to SEK 374,000 and are reported under the heading Basic salary/fees in the above table. SEK 99,000 remains to be paid and is reported among accrued costs. Pricing is done at agreed hourly rates corresponding to the prevailing consulting fees for similar services.

Holdings of financial instruments

	From the period prior to 2004 No. of warrants	Expire during 2004 No. of warrants	Acquisition price	Value
Chairman of the Board of Directors	-	-	-	-
President	11,000	-10,000	-25,000	-
Other senior executives	95,000	-33,000	-82,500	-
	106,000	-43,000	-107,500	-

During 2004, neither the President nor other senior executives acquired warrants in Axis AB.

Pensions

The Axis Group has pension commitments classified as both defined-benefits schemes and defined-contribution schemes. In the Swedish units, all pension commitments, part from those that refer to the President, are classified as defined-benefits. In the foreign units, pension commitments are classified as fixed-fee.

Pension commitments for salaries employees in Sweden are secured through insurance provided by SPP. According to an opinion expressed by the urgent issues committee of the Swedish Financial Accounting Standards Council, URA 42, this is a defined-benefits scheme that encompasses several employees. For the 2004 fiscal year, the company has not had access to such information that would enable it to present this scheme as a defined-benefits plan. The ITP pension scheme, which is secured through SPP insurance, is therefore presented as a defined-contribution plan. The year's fees for pension plans purchased from SPP amount to SEK 13 M (14).

SPP's surplus may be distributed among the policyholders and/or the insured. At year-end 2004, SPP's surplus amounted, in the form of the collective consolidation level, to 111 percent. The collective consolidation level consists of the market value of SPP's assets as a percentage of its insurance commitments calculated in accordance with SPP's actuarial premises, which do not comply with RR29.

	2004	Group 2003	2002
Cost of defined-contribution plans	16,230	17,419	12,487
Cost of special salary tax	3,250	3,594	2,740
	19,480	21,013	15,227

Severance pay

A mutual period of notice of six months is required with respect to termination of the President's employment or resignation. If employment is terminated at the request of the company, the President is entitled to severance pay corresponding to a year's salary. Severance pay is not reduced against other income. If employment is terminated at the request of the President, there is no severance pay.

Between the company and four of the other senior executives a mutual period of notice of three months applies. For the fifth senior executive, a period of six months' notice of termination applies regardless of whether the termination is requested by the company or by the senior executive. If employment is terminated at the company's request, salary is paid during the termination period. This amount is not reduced against other income. If the senior executive terminates employment, salary is paid during the termination period.

Committee and decision process

The Compensation Committee provided the Board of Directors with recommendations during the year regarding the principles for remuneration to senior executives. The recommendations comprised the proportions between fixed salary and bonuses and the magnitude of possible salary increases. In addition, the Compensation Committee proposed criteria for assessment of bonus results, etc. The Board of Directors discussed the Compensation Committee's proposals and made decisions based on the Committee's recommendations.

Remuneration to the President for the 2004 fiscal year was approved by the Board of Directors based on the Compensation Committee's recommendations.

Remuneration to other senior executives was determined by the President after consulting the Compensation Committee.

Note 4 Audit fees

	2004	2003	2002
Audit fees paid to Öhrlings PricewaterhouseCoopers	500	535	525
Other fees paid to Öhrlings PricewaterhouseCoopers	346	419	453
Audit fees paid to other auditors	564	515	859
Total	1,410	1,469	1,837

Audit fees and other fees paid to the Parent Company's auditors were charged entirely to the subsidiary Axis Communications AB.

Note 5 Other operating revenues and other operating expenses

	2004	Group 2003	2002
Exchange rate differences	-2,053	1,221	7,354
Total	-2,053	1,221	7,354

Exchange-rate effects affected net profit/loss by a total of SEK 6,205,000 (2,573,000) before tax.

Note 6 Result from shares in Group companies

	Parent Company	
	2004	2004
Group contribution received	59,743	-
Write-down of shares in subsidiaries (pertains to Group contributions paid and shareholder contributions)	-3,856	-19,413
	55,887	-19,413

Note 7 Interest income and similar income items

	Group			Parent Company	
	2004	2003	2002	2004	2003
Interest income	2,241	4,372	7,169	2,118	4,268
Interest income from Group companies	-	-	-	302	2,830
Liquidation proceeds	422	-	-	422	-
Exchange rate differences	6,794	3,460	6,849	13,204	38,637
Total	9,457	7,832	14,018	16,046	45,735

Note 8 Interest expense and similar expense items

	Group			Parent Company	
	2004	2003	2002	2004	2003
Interest expense	-413	-379	-1,234	-159	-240
Interest expense to Group companies	-	-	-	-	-33
Exchange rate differences	-	-	-	-8,620	-15,234
Other financial expenses	-347	-270	-1,006	-274	-248
Total	-760	-649	-2,240	-9,053	-15,755

Note 9 Financial income received

	Group			Parent Company	
	2004	2003	2002	2004	2003
Interest income	2,241	5,317	6,600	2,118	4,268
Interest income from Group companies	-	-	-	302	2,830
Liquidation proceeds received for shares written down	422	-	-	422	-
Total	2,663	5,317	6,600	2,842	7,098

Note 10 Financial expenses incurred

	Group			Parent Company	
	2004	2003	2002	2004	2003
Interest expenses	-729	-418	-1,752	-475	-278
Interest expense to Group companies	-	-	-	-	-33
Other financial expenses	-347	-270	-1,006	-274	-248
Total	-1,076	-688	-2,758	-749	-559

Note 11 Tax

	Group			Parent Company	
	2004	2003	2002	2004	2003
Current tax	-1,610	-1,412	-2,069	-	-
Deferred tax	-18,121	-9,488	-13,512	-20,000	-8,751
Total	-19,731	-10,900	-15,581	-20,000	-8,751

Reported profit before tax	57,069	8,324	51,436	65,397	21,564
Plus:					
Taxable temporary differences	10,758	14,704	11,375	-	-
Less:					
Costs of warrants program	-	-	-	-	-210
Taxable profit/loss	67,827	23,028	62,811	65,397	21,354
Estimated tax	-18,992	-6,448	-17,587	-18,311	-5,979

	Group			Parent Company	
	2004	2003	2002	2004	2003
Estimated tax	-18,992	-6,448	-17,587	-18,311	-5,979
Deferred tax income relating to temporary differences	-2,586	-4,854	2,752	-	-
Deferred tax income relating to untaxed reserves	1,852	4,117	2,873	-	-
Deferred tax effect relating to intra-Group adjustments and changes in Group structure	-179	-497	-1,311	-	-
Non-deductible costs	-1,096	-319	-1,504	-1,689	-542
Non-deductible income	44	27	4	-	-
Tax effect relating to difference in tax legislation	-	-2,230	-	-	-2,230
Deferred tax effect relating to differences in tax rates	1,225	-696	-807	-	-
Total tax for the year	-19,732	-10,900	-15,581	-20,000	-8,751

Note 12 Distribution of depreciation

	Group			Parent Company	
	2004	2003	2002	2004	2003
Cost of goods and services sold	1,222	1,102	856	-	-
Selling expenses	1,692	1,768	4,344	-	-
Administrative expenses	1,359	1,018	1,359	156	626
R&D expenditures	6,228	5,166	7,153	-	-
	10,501	9,054	13,712	156	626

Note 13 Capitalized expenses for development work

	Group		
	2004	2003	2002
Acquisition value, beginning of year	20,324	5,658	-
Acquisitions for the year	12,290	14,666	5,658
Scheduled residual value, end of year	32,614	20,324	5,658

Of the total capitalized expenditure for development work, SEK 30,071,000 was utilized internally, and of that amount SEK 12,126,000 in 2004. Depreciation and amortization are expected to begin in 2005.

Note 14 Rights

	Group			Parent Company	
	2004	2003	2002	2004	2003
Acquisition value, beginning of year	12,100	3,126	3,126	3,126	3,126
Acquisitions for the year	-	8,974	-	-	-
Acquisition value, end of year	12,100	12,100	3,126	3,126	3,126
Accumulated scheduled amortization, beginning of year	-2,969	-2,344	-1,719	-2,969	-2,344
Scheduled amortization for the year	-3,148	-625	-625	-157	-625
Accumulated scheduled amortization, end of year	-6,117	-2,969	-2,344	-3,126	-2,969
Scheduled residual value, end of the year	5,983	9,131	782	-	157

The item refers to rights to names and software rights

Note 15 Other intangible fixed assets

	Group		
	2004	2003	2002
Acquisition value, beginning of year	7,686	7,686	7,652
Acquisitions during the year	-	-	34
Acquisition value, end of year	7,686	7,686	7,686
Accumulated scheduled amortization, beginning of year	-7,584	-7,226	-5,922
Scheduled amortization for the year	-	-358	-1,304
Accumulated scheduled amortization, end of year	-7,584	-7,584	-7,226
Accumulated write-downs, beginning of the year	-	-	-
Write-downs during the year	-91	-	-
Accumulated write-downs during the year, end of the year	-91	-	-
Planned residual value, end of the year	11	102	460

The item refers mainly to software.

Note 16 Equipment

	Group		
	2004	2003	2002
Acquisition value, at beginning of year	75,278	71,147	66,459
Acquisitions during the year	3,619	4,204	9,572
Sales and scrapping for the year	-2,040	-73	-4,884
Acquisition value, end of year	76,857	75,278	71,147
Accumulated scheduled depreciation, beginning of year	-64,119	-56,148	-48,218
Scheduled depreciation for the year	-7,262	-8,071	-11,783
Sales and scrapping for the year	1,798	100	3,853
Accumulated scheduled depreciation, end of year	-69,583	-64,119	-56,148
Planned residual value, end of the year	7,274	11,159	14,999

Note 17 Shares in subsidiaries

Shares owned by Parent Company	Reg. office	Corp. Reg. No	% of voting rights and shares	No. of shares	Par value	Book value Dec. 31, 04	Dec. 31, 03
Axis Communications AB	Lund	556253-6143	100%	1,600	160	342	342
Gren Et Karlsson Firmware AB	Lund	556304-6209	100%	500	100	50	50
Axis Technologies AB	Lund	556485-0765	100%	500	100	50	50
Axis Alfa AB	Lund	556599-4547	100%	500	100	100	100
Axis Beta AB	Lund	556599-4588	100%	500	100	100	100
Axis Gamma AB	Lund	556599-4562	100%	1,000	100	100	100
						742	742

Shares owned by subsidiaries	Reg. office	% of capital	Shares owned by subsidiaries	Reg. office	Corp. Reg. No.	% of capital
Axis Communications SA	France	100%	Axis Communications KK	Japan		100%
Axis Communications (UK) Ltd	UK	100%	Axis Communications (S) Pte Ltd	Singapore		100%
Axis Communications GmbH	Germany	100%	Axis Communications Korea Co. Ltd.	Korea		100%
Axis Communications BV	Netherlands	100%	Axis Communications Ltd	China, Hong Kong		100%
Axis Attento Aps	Denmark	100%	Axis Communications Ltd	China, Shanghai		100%
AxerNet Communications SA	Spain	100%	Axis Communications Pty Ltd	Australia		100%
Axis Communications Inc	US	100%	Axis Communications Ltd	Taiwan		100%
Axis Communications Ltda	Brazil	100%	Axis Network AB	Sweden	556505-3450	100%
			Axis Peripherals AB	Sweden	556505-1785	100%

Note 18 Other securities held as fixed assets

	% of capital	No. of shares	Book value Group			Book value Parent company	
			Dec. 31, 04	Dec. 31, 03	Dec. 31, 02	Dec. 31, 04	Dec. 31, 03
Aptilo Networks	2%	711,700	-	-	-	-	-
Poobah Inc	2%	6,300	-	-	-	-	-
Total			-	-	-	-	-

Note 19 Shares in tenant owners' association

	Group		
	2004	2003	2002
Acquisition value at beginning and end of year	676	676	676

Note 20 Deferred tax receivables

The temporary difference in the Group and Parent Company accounts have resulted of deferred tax receivables and liabilities, respectively, relating to the following items:

	Group			Parent Company	
	2004	2003	2002	2004	2003
Deferred tax receivables					
Tangible and intangible fixed assets	878	437	352	-	-
Financial fixed assets	9,091	9,211	11,441	9,091	9,211
Inventories	2,381	1,924	5,435	-	-
Other provisions	-	140	1,088	-	-
Accumulated loss carry-forwards ²⁾	56,567	77,293	84,382	54,716	74,596
Other items	749	141	224	-	-
	69,666	89,146	102,922	63,807	83,807
Deferred tax liabilities					
Tax equalization reserve	-	1,410	5,442	-	-
Tangible and intangible fixed assets	364	313	-	-	-
	364	1,723	5,442	-	-
Net deferred tax assets	69,302	87,423	97,480	63,807	83,807

¹⁾ Deferred tax liabilities to the same tax authority are reported as a net amount in deferred tax claims as of 2001.

²⁾ Accumulated loss carry-forwards relate in all essential respects to the Group's total deficit for tax purposes. These loss carry-forwards do not expire within the foreseeable future.

Note 21 Share-related payments

Axis AB presently has one outstanding warrants program that covers employees. The program was introduced in 1999 and directed at all employees of the Axis Group. The objective of the program is to stimulate long-term commitment among employees to the development of the Group's operations and profits. Employees in the United States are offered stock options.

All permanent employees in EMEA and Asia are eligible to participate in the program. Permanent employees in the American subsidiary are eligible to participate in a separate stock options program. The latter is directed only towards employees in the United States. In addition to the number of warrants offered to all permanent employees, senior executives are invited to acquire a limited additional number of warrants.

The terms of the American program are such that an option may be exercised upon the new issue of shares occurring after the day the option was acquired by the employee. Options are allotted after three years for the program from 1999. Under the programs from 2000, 2001 and 2002, options are allotted on four occasions over a period of two years, with 25 percent on each occasion.

The subscription price per share corresponds to 130 percent of the average, on each trading day, of the volume-weighted average of the prices quoted during the day according to the Stockholm Stock Exchange official price list for shares in the company computed over a period of five trading days. The warrants may be transferred and do not expire if employees terminate employment.

The table below shows the conditions and effects on equity of the warrants program on full exercise of all warrants. Allotment of shares through the exercise of warrants will be done using newly issued shares.

Cont. Note 21

Recipients	Maturity date	Subscription price	Aquisition price	Proceeds received	Number of warrants	Number of shares	Number of redeemed	Dilution
Personnel in Europe and Asia	05-09-30	54.00	6.68	5,812,936	1,128,000	1,128,000	-	1.60%
Personnel in Europe and Asia	05-09-30	63.00	9.00	374,400	172,250	172,250	-	0.30%
Personnel in Europe and Asia	06-10-02	18.00	4.33	959,528	221,600	221,600	-	0.30%
Personnel in Europe and Asia	07-10-02	26.00	5.50	573,100	104,200	104,200	-	0.15%
Personnel in the United States	10-09-30	48.00	15.50	2,669,875	172,250	172,250	-	0.30%
Personnel in the United States	06-10-02	18.00	4.30	382,700	89,000	89,000	-	0.10%
Personnel in the United States	07-10-02	26.00	5.50	352,000	64,000	64,000	-	0.09%
				11,124,539	1,951,300	1,951,300	-	2.84%

The proceeds paid to the Parent Company total SEK 12,500,000. No warrants have been redeemed during the 2004 fiscal year or earlier. Proceeds paid are eliminated against consolidated equity. Thus, the consolidated balance sheet and income statement are unaffected.

Note 22 Prepaid expenses and accrued income

	Group			Parent Company	
	2004	2003	2002	2004	2003
Prepaid operating expenses	13,547	17,229	16,671	-	-
Prepaid financial costs and accrued income	7,860	4,922	3,900	7,166	4,503
	21,407	22,151	20,571	7,166	4,503

Note 23 Provisions

	Group		
	2004	2003	2002
Restructuring reserve ¹⁾	-	500	3,664
Anticipated supplementary purchase payment for software rights ²⁾	5,635	6,505	-
Other provisions	325	76	162
	5,960	7,081	3,826

¹⁾ The item pertains to rental leases and was settled during the 2004 fiscal year. No new provisions were made during 2004.

²⁾ The item will be settled on a continual basis from 2005 through the 2006 fiscal year.

	Group		
	2004	2003	2002
Balance, beginning of year	7,081	3,826	16,125
Provisions for the year	249	6,505	-
Provisions utilized during the year	-1,370	-3,250	-12,299
Balance, end of year	5,960	7,081	3,826

Note 24 Tax equalization reserves

	Parent Company	
	2004	2003
Tax allocation reserve, 1999 tax year	-	2,767
Tax allocation reserve, 2000 tax year	-	2,268
	-	5,036

Note 25 Long-term liabilities

All the Group's and Parent Company's long-term liabilities are interest bearing and will mature within 1 to 5 years.

Note 26 Accrued expenses and prepaid income

	Group			Parent Company	
	2004	2003	2002	2004	2003
Accrued payroll expense	20,707	19,240	18,000	-	-
Accrued employer's contributions	11,973	12,649	11,666	-	-
Other accrued expenses	22,167	18,552	28,837	686	1,137
	54,847	50,441	58,503	686	1,137

Note 27 Contingent liabilities

	Parent Company	
	2004	2003
Contingent liabilities on behalf of other Group companies	7,513	3,585
	7,513	3,585

Note 28 Definitions

Equity ratio - Equity, including minority interest, as a percentage of total assets.

Return on total assets - Profit/loss after financial items plus financial expenses divided by average total assets.

Return on equity - Profit/loss after financial items less full tax divided by average equity.

Earnings per share before dilution - Profit/loss for the year divided by the average number of shares.

Earnings per share after dilution - Profit/loss for the year divided by the average number of shares after full exercise of outstanding warrants.

The Parent Company's income statement and balance sheet and the consolidated income statement and balance sheet will be established at the Annual General Meeting on April 19, 2005.

Lund, February 8, 2005

Mikael Karlsson
Chairman

Ray Mauritsson
President

Patrik Tigerschiöld

Martin Gren

Nils Rydbeck

Lars-Erik Nilsson

Our audit report was submitted on February 8, 2005.

Öhrlings PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor-in-charge

Dan Andersson
Authorized Public Accountant

To the general meeting of the shareholders of Axis AB (publ)
Corporate Identity Number 556241-1065

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of Axis AB (publ) for the year 2004. These accounts and the administration of the company are the responsibility of the board of directors and the president, as is the assurance that the annual accounts have been prepared in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the president, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president. We also examined whether any board member or the president has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The administration report has been prepared in accordance with information provided in the other portions of the annual accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the president be discharged from liability for the financial year.

Lund, February 8, 2005
Öhrlings PricewaterhouseCoopers AB

Anders Lundin
Authorized Public Accountant
Auditor in charge

Dan Andersson
Authorized Public Accountant

Quarterly data

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Full year
Invoiced sales by product group (SEK 000s)	2003	2003	2003	2003	2004	2004	2004	2004	2004
Video	78,849	84,522	88,040	104,817	96,744	115,193	117,576	144,563	474,076
Print	60,796	57,795	54,063	46,932	43,053	45,832	39,010	41,154	169,049
Scan	3,042	2,047	2,232	3,033	1,871	935	5,824	2,932	11,562
Store	5,512	3,415	5,154	4,285	3,025	1,936	2,243	2,483	9,687
Access	338	573	850	292	3,428	265	163	82	3,938
Övrigt	4,014	4,536	4,424	4,076	3,948	3,413	7,682	8,126	23,169
Total	152,551	152,888	154,763	163,435	152,069	167,574	172,498	199,340	691,481

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Full year
Invoiced sales by region (SEK 000s)	2003	2003	2003	2003	2004	2004	2004	2004	2004
EMEA	72,859	75,577	74,378	85,525	78,058	81,019	83,022	105,130	347,229
Americas	42,137	41,198	45,592	43,478	39,713	55,127	56,530	58,149	209,519
Asia	37,555	36,113	34,793	34,432	34,298	31,428	32,946	36,061	134,733
Total	152,551	152,888	154,763	163,435	152,069	167,574	172,498	199,340	691,481

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Full year
Income statement (SEK 000s)	2003	2003	2003	2003	2004	2004	2004	2004	2004
Net sales	152,551	152,888	154,763	163,435	152,069	167,574	172,498	199,340	691,481
Gross profit/loss	81,949	80,783	79,068	79,930	74,915	86,585	92,368	105,646	359,514
Gross margin	53.7%	52.8%	51.1%	48.9%	49.3%	51.7%	53.5%	53.0%	52.0%
Net operating profit/loss	555	-4,290	813	4,064	-5,942	7,885	17,637	28,792	48,372
Operating margin	0.4%	2.8%	0.5%	2.5%	-3.9%	4.7%	10.2%	14.4%	7.0%
Net profit/loss after financial items	2,656	-657	458	5,867	-1,644	9,001	18,597	31,115	57,069

Multi-year summary

Income statements, SEK 000s	1996/1997	1997/1998	1998/1999	1999/2000	2000, 8 months	2001	2002	2003	2004
Net sales	393,659	521,715	559,789	695,183	493,651	696,333	670,277	623,637	691,481
of which, Netch ¹	-	-	-	60,703	42,844	20,479	-	-	-
Costs of goods and services sold	-194,582	-245,825	-238,835	-323,429	-283,356	-340,754	-286,270	-301,906	-331,968
Gross profit	199,077	275,890	320,954	371,754	210,295	355,579	384,007	321,731	359,514
of which, Netch	-	-	-	23,108	-18,109	-5,903	-	-	-
Selling costs	-110,512	-174,305	-184,212	-239,229	-186,648	-212,011	-177,522	-165,062	-152,025
Administrative expenses	-24,338	-29,446	-36,950	-62,812	-53,483	-66,262	-56,334	-44,766	-42,277
Research and development expenses	-49,538	-76,709	-93,657	-144,585	-133,065	-151,052	-117,847	-111,982	-114,787
Items affecting comparability	-	25,959	-	-	-	-33,296	-	-	-
Other interest income	14,111	-	-	-	-	-	7,354	1,221	-
Other interest expense	-	-3,233	-1,163	-7,358	-2,139	-6,922	-	-	-2,053
Result from participations in associated companies	-	-2,865	2,115	-	15	158	-	-	-
Operating profit/loss	28,800	15,291	7,087	-82,230	-165,025	-113,806	39,658	1,142	48,372
of which, Netch	-	-	-	-11,534	-56,877	-30,521	-	-	-
Net financial items	-701	-4,117	-6,274	19,901	-5,710	-35,687	11,778	7,183	8,697
Profit/loss after financial items	28,099	11,174	813	-62,329	-170,735	-149,493	51,436	8,324	57,069
of which, Netch	-	-	-	-12,409	-58,638	-31,691	-	-	-
Tax for the period	-11,660	-1,700	-2,859	18,942	35,790	48,445	-15,581	-10,900	-19,732
Minority share in profit/loss for the period	-	-	-	-8,281	27,091	10,941	-	-	-
Net profit/loss for the year	16,439	9,474	-2,046	-51,668	-107,854	-90,107	35,855	-2,576	37,337

Balance sheets, SEK 000s	Apr. 30, 97	Apr. 30, 98	Apr. 30, 99	Apr. 30, 00	Dec. 31, 00	Dec. 31, 01	Dec. 31, 02	Dec. 31, 03	Dec. 31, 04
Fixed assets	36,109	32,636	37,218	79,420	148,651	136,611	122,434	132,532	117,930
Inventories	49,369	81,522	77,587	69,887	60,119	46,628	57,944	67,074	85,788
Accounts receivable – trade	87,075	102,390	102,277	131,996	137,960	106,339	88,385	94,078	107,032
Other receivables	13,813	17,506	31,427	34,522	73,247	18,828	31,714	36,909	37,767
Liquid funds	40,509	10,203	-	12,419	195,993	180,773	129,956	102,978	121,023
Total	226,875	244,257	248,509	328,244	615,970	489,179	430,483	433,571	469,540
Equity	79,092	87,056	85,010	27,140	379,739	273,014	312,532	300,324	339,387
Minority interests	-	-	-	9,905	12,125	-	-	-	-
Provisions	14,376	12,646	11,342	549	3,707	16,125	3,826	7,081	6,830
Long-term liabilities	53,587	67,495	79,713	162,822	51,363	50,000	-	10,200	6,375
Current liabilities	79,820	77,060	72,444	127,828	169,036	150,040	114,125	115,966	116,948
Total	226,875	244,257	248,509	328,244	615,970	489,179	430,483	433,571	469,540

Cash-flow statements, SEK 000s ²	1997/1998	1998/1999	1999/2000	2000, 8 months	2001	2002	2003	2004
Cash flow from current operations before change in working capital	2,664	5,932	-79,978	-107,706	-80,502	45,819	15,279	58,881
Change in working capital	-53,921	-14,493	30,270	-6,287	54,922	-39,006	-17,119	-29,038
Cash flow from current operations	-51,257	-8,561	-49,708	-113,993	-25,537	6,813	-1,840	29,843
Cash flow from investing activities	14,351	-12,985	-15,232	-38,465	-12,460	-15,404	-28,462	-14,767
Cash flow from financing activities	6,870	10,875	77,827	336,032	22,820	-42,226	3,324	2,969
Cash flow for the period	-30,306	-10,671	12,887	183,574	-15,220	-50,817	-26,978	18,045
Liquid funds at beginning of the period	40,509	10,203	-468	12,419	195,993	180,773	129,956	102,978
Liquid funds at end of period	10,203	-468	12,419	195,993	180,773	129,956	102,978	121,023

Operating cash flow, SEK 000s	1996/1997	1997/1998	1998/1999	1999/2000	2000, 8 months	2001	2002	2003	2004
Profit/loss after financial items	28,099	11,174	813	-62,329	-170,735	-149,493	51,436	8,324	57,069
Depreciation	5,267	7,233	8,110	13,030	13,344	19,382	13,712	9,054	10,501
Tax	-16,714	-5,658	-3,870	-1,726	-797	-2,311	-4,189	-4,071	-1,307
Total	16,652	12,749	5,053	-51,025	-158,188	-132,422	60,959	13,307	66,263
Change in working capital	-9,722	-53,921	-14,493	30,270	-6,287	54,922	-39,006	-17,119	-29,038
Net investments	-5,849	-17,814	-11,831	-29,634	-38,465	-12,460	-15,404	-28,462	-14,767
Operating cash flow	1,081	-58,986	-21,271	-50,389	-202,940	-89,960	6,549	-32,274	22,458

¹ During the second quarter of 2001, Axis completed a restructuring that included the sale of its 59-percent holding in Netch Technologies.

² Figures for 1996/1997 not available.

Key ratios

Key ratios						2000,				
	1996/1997	1997/1998	1998/1999	1999/2000	8 months ¹	2001	2002	2003	2004	
Net sales growth (%)	20.2	32.5	7.3	24.2	2.6	-1.62	-0.8	-7.0	10.9	
Gross margin (%)	50.6	52.9	57.3	53.5	42.6	51.1	57.3	51.6	52.0	
Operating margin (%)	7.3	2.9	1.3	-11.8	-33.4	-16.3	5.9	0.2	7.0	
Profit margin (%)	7.1	2.1	0.1	-9.0	-34.6	-21.5	7.7	1.3	8.3	
Depreciation (SEK M)	5.0	7.2	8.1	13.0	20.0	19.4	13.7	9.1	10.5	
Equity (SEK M)	79	87	85	27	380	273	313	300	339	
Capital employed (SEK M)	133	155	165	200	447	339	311	315	352	
Interest-bearing liabilities (SEK M)	54	67	80	163	51	50	-	10	6	
Net interest-bearing liabilities (SEK M)	13	57	80	150	-145	-131	-130	-93	-115	
Total assets (SEK M)	227	244	249	328	616	489	430	434	470	
Return on capital employed (%)	30.3	18.3	5.3	-28.8	-74.0	-26.8	16.5	2.9	37.5	
Return on total equity (%)	17.6	11.2	3.4	-18.2	-50.7	-19.1	11.7	2.1	27.7	
Return on shareholders' equity (%)	21.7	11.4	0.9	-111.3	-125.8	-45.8	12.6	2.0	28.0	
Interest coverage ratio (multiple)	5.5	1.7	1.1	-5.4	-14.3	-2.4	24.0	13.8	173.9	
Net debt/equity ratio (multiple)	0.2	0.7	0.9	5.6	-0.4	-0.5	-0.4	-0.3	-0.3	
Equity/assets ratio (%)	34.9	35.6	34.2	11.3	63.7	55.8	72.8	69.3	72.3	
Share of risk-bearing capital (%)	41.2	40.8	38.8	11.3	63.7	57.4	73.9	69.9	72.4	
Capital turnover rate (multiple)	3.5	3.6	3.5	3.8	2.3	1.8	2.1	2.0	2.4	
Number of employees (average for period)	165	243	313	445	540	439	334	356	346	
Sales per employee (SEK M)	2.4	2.1	1.8	1.6	1.4	1.6	2.0	1.8	2.3	
Operating profit per employee (SEK M)	0.2	0.1	0.0	-0.2	-0.5	-0.3	0.1	0.0	0.3	

Per-share data						2000,				
	1996/1997	1997/1998	1998/1999	1999/2000	8 months ¹	2001	2002	2003	2004	
Profit/loss after financial items, SEK	0.24	0.14	-0.03	-1.10	-3.89	-2.17	0.75	0.12	0.83	
Cash flow, SEK					4.19	-0.22	-0.74	-0.39	0.26	
Equity, SEK	1.40	1.54	1.51	0.20	5.50	3.96	4.53	4.36	4.93	
Share price at year-end	-	-	-	-	17.50	25.00	18.40	17.00	18.00	
Share price/shareholders' equity, %	-	-	-	-	318	631	406	390	365	
Dividend	0.04	-	-	-	-	-	-	0.15	-	
Price/earnings ratio (P/E)		-	-	-	-	-	35	-	33	
Market value/sales (P/S)		-	-	-	1.6	2.5	1.9	1.9	1.8	
Total number of shares outstanding (000s)	56,400	56,400	56,400	56,400	68,900	68,900	68,900	68,900	68,900	
Average number of shares (000s)	56,400	56,400	56,400	56,400	65,775	68,900	68,900	68,900	68,900	

¹ Where applicable, key ratios adjusted for 12 months.

² Compared with pro forma for 2000.

DEFINITIONS

Capital employed Total assets less non-interest-bearing liabilities including deferred tax liability.

Capital turnover rate Net sales divided by average capital employed (adjusted to 12 months for 2000).

Cash flow per share Cash flow for the year divided by the average number of shares (adjusted to 12 months for 2000).

Equity/assets ratio Shareholders' equity including minority interests as a percentage of total assets.

Equity per share Shareholders' equity divided by the number of shares outstanding.

Gross margin Gross profit as a percentage of net sales.

Interest coverage ratio Profit after net financial items plus financial expenses divided by financial expenses.

Net debt/equity ratio Net interest-bearing liabilities divided by shareholders' equity.

Net interest-bearing liabilities Interest-bearing liabilities reduced by liquid funds.

Operating margin Operating profit as a percentage of sales.

Profit margin Profit/loss after net financial items as a percentage of sales.

Operating margin after depreciation of tangible fixed assets Operating profit after depreciation of tangible fixed assets as a percentage of sales.

P/E Market value divided by profit after full tax.

P/S Market value divided by net sales (adjusted to 12 months for 2000).

Profit/loss per employee Operating profit after depreciation divided by the average number of annual employees.

Earnings per share Profit for the period after net financial items divided by the average number of shares (adjusted to 12 months for 2000).

Return on capital employed Profit after net financial items plus financial expenses divided by average capital employed.

Return on equity Profit after net financial items less full tax divided by average shareholders' equity.

Return on total capital Profit after net financial items plus financial expenses divided by the average total assets.

Sales per employee Sales divided by the average number of annual employees.

Share of risk-bearing capital Shareholders' equity plus minority interests and deferred tax liabilities as a percentage of total assets.

Board of Directors and Auditors



MIKAEL KARLSSON



PATRIK TIGERSCHIÖLD



MARTIN GREN



NILS RYDBECK



LARS-ERIK NILSSON

MIKAEL KARLSSON

Born 1962. Chairman of the Board of Directors. President of LMK Industri AB. Vice chairman of the Institute for Economic Research at Lund University. Board member of Beijer Electronics AB, Björkliden Fjällby AB, Decuma AB, G&L Beijer AB, Beijer Industriteknik AB, SEB in Lund, Teligent AB, Visionalis AB, Southern Sweden Chamber of Commerce and Industry and Öresund Science Region. Member of the Royal Academy of Engineering Sciences and the advisory committee for the Lund School of Economics. Member of the Board since 1984. President 1984–1999. Chairman since 2000. Shares in Axis: 15,645,764¹⁾. Warrants in Axis: 0.

PATRIK TIGERSCHIÖLD

Born 1964. Vice Chairman of the Board of Directors. President of Skanditek Industriförvaltning AB. Chairman of CMA Microdialysis AB, Bure Equity AB and Vitrolife AB. Board member of H Lundén Kapitalförvaltning AB, Mydata Automation AB, PartnerTech AB and Skanditek Industriförvaltning AB. Member of the Board since 2001. Shares in Axis: 5,000. Warrants in Axis: 0.

MARTIN GREN

Born 1962. Chairman of Itact AB. Board member since 1984. Shares in Axis: 7,557,471²⁾. Warrants in Axis: 1,000.

NILS RYDBECK

Born 1946. Board member of Anoto AB, Agellis Group AB, Opera Software ASA and BTH Blekinge Technical College. Member of the Royal Academy of Engineering Sciences. Board member since 1997. Shares in Axis: 0. Warrants in Axis: 3,000.

LARS-ERIK NILSSON

Born: 1943. Chairman of Decuma AB, IT Hantverkarna and Informationsförlaget Heimdahls AB. Board member of Banqit AB, Consellar AB, Luvit AB, Technology Nexus AB and Teligent AB. Board member since 2003. Shares in Axis: 7,000. Warrants in Axis: 0.

¹⁾ Privately and through LMK Industri AB.

²⁾ Through AB Grenspecialisten.

AUDITORS

Öhrlings PricewaterhouseCoopers

Senior auditor

Anders Lundin, born 1956

Authorized Public Accountant

Assigned to Axis since 1996.

Dan Andersson, born 1956

Authorized Public Accountant

Assigned to Axis since 2001.

Shareholdings as of December 31, 2004

Senior executives



RAY MAURITSSON



FREDRIK SJÖSTRAND



ANDERS LAURIN



JOHAN LEMBRE



BODIL SONESSON



PER ÄDELROTH

RAY MAURITSSON

Born 1962. President and Chief Executive Officer. Employed in Axis since 1995. Shares in Axis: 19,000. Warrants in Axis: 11,000.

FREDRIK SJÖSTRAND

Born 1969. Chief Financial Officer, as of May 2004. Employed in Axis since 1998. Shares in Axis: 10,800. Warrants in Axis: 22,000.

ANDERS LAURIN

Born 1960. Executive Vice President, Corporate Strategy. Employed in Axis since 1997. Shares in Axis: 10,850. Warrants in Axis: 41,000.

JOHAN LEMBRE

Born 1966. Vice President, Product Management. Employed in Axis since 1999. Shares in Axis: 2,750. Warrants in Axis: 6,000.

BODIL SONESSON

Born 1968. Vice President, Sales and Marketing. Employed in Axis since 1996. Shares in Axis: 2,750. Warrants in Axis: 6,000.

PER ÄDELROTH

Born 1966. Vice President, Operations, as of April 2004. Employed in Axis since 1994. Shares in Axis: 17,250. Warrants in Axis: 16,000.

Shareholdings as of December 31, 2004.

Corporate governance

THE SWEDISH CODE OF CORPORATE GOVERNANCE

The Swedish Code of Corporate Governance was published on December 16, 2004. Based on self-governance in accordance with the principle of “comply or explain,” the code mainly addresses the Annual General Meeting’s, Board’s and executive management’s organization and work forms as well as coordination between these bodies. It includes rules about the composition of the Board and appointing auditors, the Board’s responsibility for internal control, the process for determining remuneration to executive management and information about corporate governance. Axis AB intends to apply the code as of July 1, 2005 when it is expected to be incorporated in the rules of the Stockholm Stock Exchange.

ANNUAL GENERAL MEETING

The Annual General Meeting in Axis AB (pub) is the highest governing body in the Company and also the forum through which shareholder can exercise their influence over the Company. The Annual General Meeting was held in Lund, Sweden on May 13, 2004. The Annual General Meeting re-elected the Board of Directors. The Annual General Meeting also decided that no dividend would be paid for the 2003 fiscal year.

THE BOARD OF DIRECTORS

During the time between the Annual General Meetings, the Board of Directors of Axis AB (publ) is the highest governing body in the Company. The Board of Directors’ duties are regulated in the Swedish Companies Act and in the Articles of Association. In addition, the Board of Directors’ work is governed by the working

procedure that the Board of Directors approves each year. This working procedure also regulates the division of work between the Board of Directors, its Chairman and the President and describes financial reporting routines for the President.

The Board of Directors devoted an important part of its work during the year to a deepening of the strategy in the growth product area Video, as well as an analysis of the strategy for the mature product area Print.

During the year, the Board of Directors closely monitored the earnings trend and addressed issues regarding management’s composition and the Group’s accounting and finance functions against the background of the departure of the CFO and vice president of Axis during the spring. Other important decision points were investments in technology, organizational changes and IT strategies.

During the time between the Annual General Meeting and the date of publication of this Annual Report, the Board of Directors held seven meetings in addition to the statutory meeting.

At the statutory meeting on May 13, 2004, the Board of Directors re-elected Mikael Karlsson as Chairman. The Chairman follows business development and is responsible to ensure that the other members of the Board of Directors received the information required to enable them to conduct the work of the Board of Directors in accordance with the Swedish Companies Act and with retained quality.

In addition, the Chairman of the Board of Directors plus an additional Board member participated in certain projects focused on strategy, business and product development.

Since the Board of Directors only consists of five members, it was decided not to establish an Audit Committee. Instead, these issues are handled by the Board of Directors in its entirety, meaning that the Board continuously monitors the Company's financial position. To guarantee information requirements, the Company's auditors report to the Board of Directors on two occasions during the fiscal year at which time they present their assessment and their observations from reports, accounting records and business processes. Furthermore, the Chairman holds an additional meeting and maintains regular contact with the auditors.

PRESIDENT AND MANAGEMENT

The President leads operations in accordance with the Board of Directors' guidelines and instructions. The President informs the Board of Directors and the Chairman continuously regarding the Company and the Group's financial position and development. Group management, which comprises 6 persons, held 13 formal and a large number of informal meetings during the year.

AUDITORS

Axis' auditors are elected by the Annual General Meeting for a period of four years. The Company's auditors are the authorized accounting company Öhrlings PricewaterhouseCoopers AB with Anders Lundin as lead auditor. Öhrlings PricewaterhouseCoopers AB has held the position of auditor in Axis since 1996.

COMPOSITION OF THE BOARD OF DIRECTORS

Axis' nomination committee consists of representatives for the three largest owners, Mikael Karlsson (LMK Industri AB), Patrik Tigerschiöld (Skanditek Industrieförvaltning AB) and Martin Gren (AB Grenspecialisten). Mikael Karlsson, who is also the Company's Chairman, is the convener. Proposals and comments regarding the composition of the Board of Directors may be submitted to the Chairman of the Board under the address Mikael Karlsson, Axis AB, Emdalavägen 14, SE-223 69 Lund or by phone to +46-46-27218 01.

Glossary

ASIC Application Specific Integrated Circuit. A circuit designed for a specific application rather than a circuit for more general functions, such as a microprocessor. The use of ASIC as components of electronics products can improve performance, reduce power consumption, enhance safety and lower costs.

CCTV Closed Circuit Television. A private video system inside a building or facility for visual surveillance of a location, for security or industrial purposes.

IP Internet Protocol. A communications transport protocol used for transmitting data over the Internet. See also TCP/IP.

Linux Linux is an open-source operating system within the Unix family. Due to its stability and accessibility, Linux has become popular in the open source world and among commercial applications.

MCM Multi-chip module. Several chips combined in a single encapsulation.

Network camera Digital video camera with a built-in Ethernet network connection and Web server. The digitally compressed video from the camera can be seen immediately from all computers connected to the network.

OEM Original Equipment Manufacturer. Designation of a company that manufactures equipment that is subsequently marketed and sold by other companies under their own names.

Print server A thin server that connects a printer to a network and enables the users to share the printer. May be a separate box or a card inserted in the printer.

Protocol A set of formal rules that describe how data is to be transmitted over a network. Low-level protocols define electrical and physical standards, while high-level protocols relate to data formatting. TCP and IP are examples of high-level protocols.

Server A computer or software application that provides services to other computers that are connected to it in a network. the most common example is a file manager that has a local hard drive and manages requests from clients to read and write files to the drive.

TCP/IP Transmission Control Protocol over Internet Protocol. The TCP/IP protocol defines how data can be securely transmitted between networks. TCP/IP is the most widespread communications standard and it is the foundation of Internet functioning.

USB Universal Serial Bus. External data bus for data transmission.

Video server A video server has a built-in network connection and Web server. Its job is to take analog video (PAL/NTSC) from traditional analog cameras, digitize and compress video and make the digital video stream available over a data network.

Invitation to the Annual General Meeting

The Annual General Meeting will be held at Edison Park on Emdalavägen 14 in Lund on Tuesday, April 19, 2005 at 5:00 p.m.

Shareholders who want to participate in the Annual General Meeting must be registered in the share book held by VPC AB not later than April 8, 2005. Shareholders who have their shares registered by trustees must ensure, in good time, that the bank or asset manager that manages the shares carries out temporary owner registration, or voting rights registration, a few bank days prior to April 8, 2005. Participants must register with Axis AB not later than 4:00 p.m. on Wednesday, April 13, 2005.

To register, participants must provide their name, personal ID number or corporate registration number, address and telephone number. Shareholders wishing to participate by proxy must send in their proxy authorization prior to the meeting. Shareholders must indicate the number of assistants they plan to bring with them to the meeting when they register.

Registration may be done

- in writing to Axis AB, attn. Åsa Haapasaari, Emdalavägen 14, SE- 223 69 Lund, Sweden
- by telephone to the Head Office of Axis AB, Tel. No. +46-46-272 18 00, or
- by e-mail to bolagsstamma@axis.com

Addresses

AXIS OFFICES

SWEDEN

Head Office: Lund
Axis Communications AB
Emdalavägen 14
223 69 Lund
Tel: +46 46 272 18 00
Fax: +46 46 13 61 30

AUSTRALIA

Melbourne
Axis Communications Pty Ltd
Level 25, 367 Collins Street
Melbourne VIC 3000
Tel: +613 9221 6133

CANADA

Toronto
Axis Communications, Inc.
117 Lakeshore Road East
Suite 304
Mississauga ON L5G 4T6
Canada
Tel: +1 800 444 AXIS (2947)
Fax: +1 978 614 2100

CHINA

Shanghai
Axis Communications Ltd
Rm. 001, 6/F, Novel Building
887 Huai Hai Zhong Rd.
Shanghai 200020
Tel: +86 21 6431 1690
Fax: +86 21 6433 8264

FRANCE

Paris
Axis Communications S.A.
7-9 avenue Aristide Briand
94230 Cachan
Tel: +33 1 49 69 15 50
Fax: +33 1 49 69 15 59

GERMANY

München
Axis Communications GmbH
Lilienthalstr. 25
DE-85399 Hallbergmoos
Tel: +49 811 555 08 0
Fax: +49 811 555 08 69

ITALY

Turin
Axis Communications
Via Roma 33
10025 Pino Torinese
Torino
Tel/Fax: +39 011 841 321

JAPAN

Tokyo
Axis Communications KK
Shinagawa East-One Tower 13 F
2-16-1 Konan, Minato-ku
Tokyo 108-0075
Tel: +81 3 6716 7850
Fax: +81 3 6716 7851

KOREA

Seoul
Axis Communications Korea
Co., Ltd.
Rm 407, Life Combi B/D.
61-4 Yoido-dong
Yeongdeungpo-Ku
Seoul
Tel: +82 2 780 9636
Fax: +82 2 780 2743

NETHERLANDS

Rotterdam
Axis Communications BV
Benelux
Glashaven 38
NL-3011 XJ Rotterdam
Tel: +31 10 444 34 34
Fax: +31 10 750 46 99

SINGAPORE

Axis Communications
(S) Pte Ltd
541 Orchard Road
#18-03/04 Liat Towers
Singapore 238881
Tel: +65 6 836 2777
Fax: +65 6 836 3106

SPAIN

Madrid
Axernet Communications S.A.
Sector Oficinos 31, 1
ES-28760 Tres Cantos
Madrid
Tel: +34 91 803 46 43
Fax: +34 91 803 54 52

TAIWAN

Taipei
Axis Communications Ltd
8F-11,101 Fushing North Road
Taipei
Tel: +886 2 2546 9668
Fax: +886 2 2546 1911

UK

Hertfordshire
Axis Communications (UK) Ltd.
Suite 2, Ladygrove Court
Hitchwood Lane
Preston, Nr Hitchin
Hertfordshire SG4 7SA
Tel: +44 870 162 0047
Fax: +44 870 777 8620

US

Boston
Axis Communications Inc.
100 Apollo Drive
Chelmsford, MA 01824
Tel: +1 978 614 2000
Fax: +1 978 614 2100

San Diego

9191 Towne Centre Drive
Suite #420
San Diego, CA 92122
Tel: +1 978 614 2000
Fax: +1 858 455 9190





Corporate Identity Number
556241-1065

Axis AB
Emdalavägen 14
223 69 Lund, Sweden
www.axis.com