

Axis AB  
Annual Report 2004



Axis – market leader in network video and print servers. The company's products and solutions are used mainly for security surveillance, remote monitoring and document management.



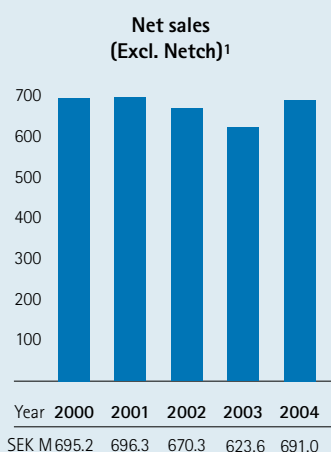
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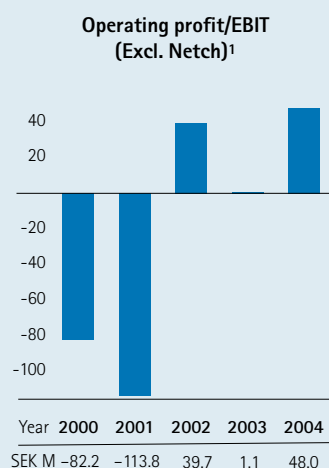


## The year in brief

- **Net sales** amounted to SEK 691 M, up 11 percent compared with a year earlier.
- **Product portfolio** was renewed and expanded with 20 new video products and software solutions. Most of these are based on Axis' own ARTPEC-2 chip.
- **A number of strategic customer agreements** were signed that clearly underscores the increased importance of IP-based video systems.
- **The number of sales channels** was expanded during the year. Most were system integrators and Application Development Partners (ADPs) with focus on large integrated security solutions.
- **Relations with distributors** were strengthened, among other consequences, resulting in an Award of Excellence from Ingram Micro.



<sup>1</sup> During the second half of 2001, Axis carried out a restructuring that included the sale of the 50-percent holding in Netch.



## FINANCIAL INFORMATION 2005

Three-month report	April 18, 2005
Annual General Meeting	April 19, 2005
Six-month report	July 11, 2005
Nine-month report	October 20, 2005
Year-end report for 2005	February 8, 2006
Annual Report 2005	March 2006

Axis' financial information in Swedish and English is available on Axis Web site [www.axis.com/corporate/investor](http://www.axis.com/corporate/investor)

Reports may also be ordered from Axis AB, Emdalavägen 14, SE-223 69 Lund, Sweden tel +46-46 272 18 00, fax +46-46 13 61 30, e-mail [ir@axis.com](mailto:ir@axis.com)

## KEY FIGURES

Consolidated, SEK M	2004	2003
Net sales	691	624
Operating profit	48	1
Profit before taxes	57	8
Profit after taxes	37	-3
Earnings per share, SEK	0.54	-0.04
Liquid funds at end of period	121	103

# This is Axis

Axis develops products that provide added value for users of network solutions. The company is an innovative global market leader in network video and print servers. Axis' solutions are primarily used for security surveillance, remote monitoring and document management. Axis' products are based on proprietary integrated chips that are also resold via third-party developers. The company is a global player through its own offices in 16 countries, as well as through distributors, systems integrators and OEM partners in some 70 countries. More than 95 percent of sales are to countries outside Sweden. Axis was founded in 1984 and is listed on the O list of the Stockholm Stock Exchange.

## MARKET CHANNELS

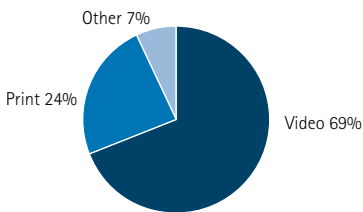
### PRODUCTS AND SOLUTIONS UNDER THE AXIS BRAND

Products and solutions under the Axis brand comprise the company's sales under its own brand with a focus on two product areas, Video and Print.

### OEM AND TECHNOLOGY PRODUCTS

OEM and technology products comprise customized products that are sold under other brands through OEM licensing, as well as hardware and development platforms that are sold to third-party developers. OEM customers are primarily major global manufacturers of printers, copiers and video products.

Sales per product area



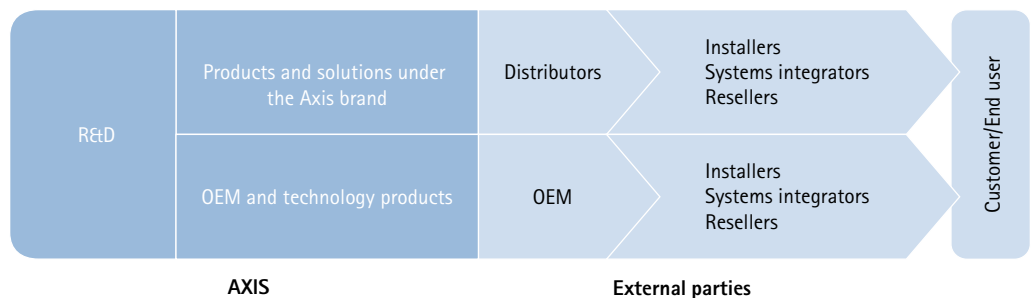
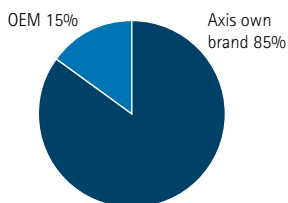
**Video.** Network cameras and video servers in systems that are primarily used for security surveillance and remote monitoring.



**Print.** Print server solutions for flexible print processing.



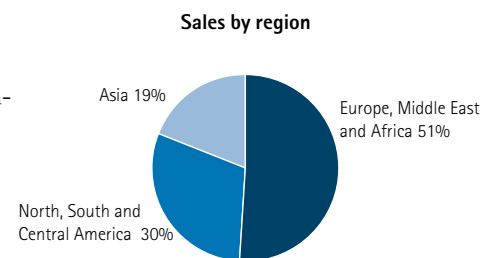
OEM – proportion of sales





## MARKETS AND SALES

Axis is active globally with sales in more than 70 countries. Marketing and customer service take place through the company's local offices. Products and solutions reach end users via a well-developed network of distributors, OEM partners, systems integrators and resellers. The geographic distribution between regions contributes to a favourable risk spread.



## CUSTOMER SEGMENTS

Axis prioritizes six primary end-user segments for products sold under its own brand.

<p><b>Education.</b> Universities, schools, education institutes, etc.</p>	<p><b>Bank &amp; Finance.</b> Banks, post offices, insurance companies, etc.</p>	<p><b>Retail.</b> Stores, gas stations, hypermarkets, etc.</p>	<p><b>Transportation.</b> Airports, railways, harbors, traffic surveillance, locks, toll stations, etc.</p>	<p><b>Government.</b> Authorities, police, military, health care, prisons, museums, casinos, etc.</p>	<p><b>Industrial.</b> Process industries, engineering, construction, pharmaceutical, energy and mining companies.</p>
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## LEADING TECHNOLOGY

Since its establishment in 1984, Axis has based its business on proprietary hardware and software that enables the company to offer leading products at attractive prices. At the core of Axis' products is ETRAX, an integrated chip for network connection. In addition, Axis has developed ARTPEC, an integrated chip for network cameras and video servers. Together with Axis software, these chips provide a common technical platform.



## President's message

The year 2004 was a successful one for Axis. We were able to report both growth and improved profitability. In addition, we continued to advance our market positions during the year, not least through a strengthened product portfolio, new partnerships and development of our sales and distribution channels. The company's overall strategies for long-term growth in the video segment were shown to remain viable.

Axis holds an undisputed position as the global market leader in network video solutions, a position that we intend to maintain.

### SALES GROWTH

When we look at Axis' sales growth during 2004 in greater detail, it can be noted that sales rose to SEK 691 M, compared with SEK 624 M in 2003, corresponding to an 11-percent increase. Profit before tax amounted to SEK 57 M for the year, which was also a clear improvement over 2003, when profit was SEK 8 M.

Growth in video continued to be very strong, amounting to 33 percent during the year. Adjusted for local currencies, growth in several markets was significantly greater than that.

However, Axis' sales in the Print product area and its OEM sales declined somewhat during the year. The decline was primarily due to a mature market for print servers. OEM customers in the Print segment are increasingly purchasing chips and the associated licenses, rather than complete products, which also contributed to declining sales for print products.

While it is very gratifying to be able to report growth and improved profits, there is still scope for additional improvements, particularly because general market trends in the Video segment clearly favor Axis.

### MORE DISTINCT VIDEO FOCUS

Axis' highly successful development during the year was actually not reflected fairly in either sales or profit figures. In less than five years, we have carried out a substantial strategic repositioning, from print servers to a distinct video focus. During this period, Axis has developed into the undisputed international market leader in network video solutions.

The general market development during 2004 indicates that there are favorable possibilities for continued rapid growth for IP-based video solutions. The trend toward increased demand for digital video solutions at the expense of analog installations was further strengthened during the year at the same time that Axis achieved significant success in the Video product area.

- **Product offering** – A substantial broadening and renewal of the product portfolio was completed. A total of 20 new video products and solutions were launched during the year. These products were based mainly on the new proprietary video chip ARTPEC-2, which was introduced at the beginning of the year. The new products generated very substantial interest among players in the video surveillance sectors.

- **Customers** – Axis continued to increase its sales within all established customer segments. Customer contracts that were signed during the year included prestigious installations with such companies and organizations as Turning Stone Casino, Western Australian Public Transport Authority and Frisco Independent School District.
- **Partners** – A large number of new business partners initiated relationships with Axis during the year. The majority of these were systems integrators and ADPs (Application Development Partners) with a focus on large-scale integrated security solutions. Among the most significant developments in partnerships was the agreement with Securitas relating to IP-based surveillance that began in June. This partnership was formed to offer digital security solutions to Securitas' global customer base, which currently uses analog systems.
- **Distributors** – During the year, distributors showed a clear focus on Axis' network video products. Axis continued to enhance relations within this area and also strengthened its leading position among major global distributors. One indication of this was the Award of Excellence that Axis received from Ingram Micro in November.

In summary, these developments meant that we can be more than satisfied with 2004 with respect to Video. Axis now has a stable platform with respected technology and is the market leader in a growth market.

#### PROSPECTS FOR 2005

To ensure that we can capitalize in the best manner on the expected continued rapid development of the global market for IP based video solutions, we are now optimizing our organization for rapid growth in Video.

Naturally, the print server solutions will continue to represent significant revenues in the foreseeable future, but this is not the area in which Axis will create growth. Accordingly, we will defend our strong position on the print server market, but most of our resources will be focused in the future on our core offering – Video.

As part of the optimization of the organization, the earlier products groups, Store and Access, will be phased out of our combined offering.

Looking ahead to 2005, we see a video market that will continue to develop at a rapid pace, with excellent growth opportunities for Axis as a logical consequence. The primary driving force underlying market growth remains the transition from analog to digital video systems.

I see solid opportunities for increased growth and further improvements in profitability during 2005.

Axis consists of many extremely talented employees. I want to thank all of you for excellent performance during the year. During 2005, we will take further steps towards realizing our common long-term goals.

Lund, February 2005

*Ray Mauritsson*





#### AXIS' LONG-TERM GOALS

- Annual growth 20 percent.
- Profit margin at least 10 percent.
- Equity ratio exceeding 50 percent.

## Business concept, goals and strategy

### BUSINESS CONCEPT

Axis' business concept is to offer the market intelligent network-based products and solutions. The company is focused primarily on the rapidly growing market for IP-based video solutions. In addition to this business area, Axis has a leading position as a supplier of print servers. Its proprietary products are primarily used in network applications for security systems and remote monitoring, as well as for document management. These products provide maximum customer value through effective video surveillance solutions, reduced costs and increased flexibility and performance, for example in the form of scalable systems.

### OVERALL GOALS

Axis' overall goal is to further strengthen and develop its position as the market-leading supplier of IP-based video solutions, as well as to retain its strong position in the Print product area.

Axis' goal is to drive the technology shift from analog to digital network-based video solutions and to continue to strengthen its position in this market. This is an area that is expected to continue growing at a rapid pace, with excellent growth opportunities for Axis as a logical consequence. The primary driving force underlying market growth consists of the customer benefits in terms of the flexibility, integration and scalability that network solutions provide. Even during 2005, Axis will maintain an aggressive launch schedule within the Video product area.

The increasing dominance of video sales and the continued strong growth that is expected in this area provide an excellent foundation for continued profitable growth. Axis' financial goals can be summarized in the two overriding key words, profitability and growth.

Within the Video product area, Axis will defend its leading position and grow with the market. The market for print servers is considered mature, which limits

expectations for the Print product area. Against this background, the goal for the coming three to five years is total annual growth for the Group of about 20 percent. At the same time, Axis must achieve its profitability target. Given current market trends, the company's goal is to achieve a profit margin of at least 10 percent over the coming year. Axis' equity/assets ratio should not fall below 50 percent.

Through growth, continued profitability and a strong financial base, prerequisites will be created for long-term growth in shareholder value.

### OVERALL STRATEGIES

#### Products and solutions

- Axis will constantly develop, strengthen and broaden the company's offering. During 2004, virtually the entire video product portfolio was renewed. The new generation of video products offers both enhanced performance and broader functionality. Even during 2005, Axis will maintain an aggressive launch schedule within the Video product area with a large number of new products and solutions designed for professional installations.
- The product portfolio in Video will continue to be supplemented with respect to software so that Axis is able to offer customers complete, scalable and flexible solutions for security surveillance and remote monitoring systems.
- Axis will continue to deepen partnerships to ensure the availability of specially customized solution based on Axis' products in all customer segments.
- Axis will retain its position of technology leadership by continuing to focus its efforts on research and development. Over the coming years, this will mean additional software, integrated chips, products and total solutions for network applications being introduced to create future sales under the Axis brand, to OEM partners and to third-party developers.



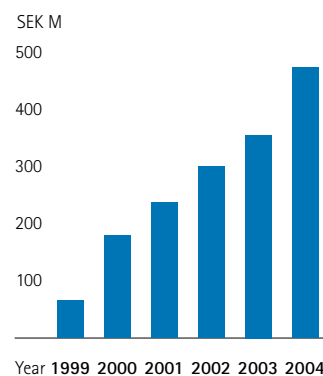


- All production of Axis' products shall be carried out in cooperation with partners specializing in contract manufacturing of electronics. By not owning production equipment, flexibility is increased and capital is freed for other purposes.

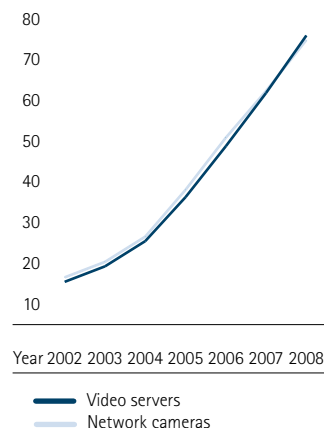
#### Marketing and sales

- Axis will strengthen its market presence through additional contracts with strategic partners. During 2004, significant success was achieved in deepening and developing relations with strategic integration partners such as Securitas and Honeywell, as well as on the distribution side with such companies as Ingram Micro.
- Continued enhancement of the market focus that targets six prioritized customer segments. During 2004, Axis experienced continued success in all six segments.
- Continued focus on educating the security industry and the IT industry in network video solutions. In parallel, an intensive marketing effort is in progress with partners regarding the benefits of using network video solutions.
- The market position within print servers will be defended through strengthened sales and marketing efforts together with existing partners.
- Continued collaboration with OEM partners and technology customers who demand products for network video solutions.
- Axis' primary strategy remains continued organic growth, although acquisitions in the video sector cannot be ruled out if they strengthen Axis in terms of product market or geographically.

Axis sales growth Video



IMS growth forecast for network cameras and video services (EMEA)





## Enhanced security in American schools

School security is one of the fastest growing segments for network video in the US. When the Missouri School Boards Association evaluated IP-based surveillance systems, its choice was a system based on Axis' video products. Digital surveillance systems help schools to create safe teaching environments. Vandalism and theft are prevented and attendance can be more easily checked. These systems also enable more efficient cooperation with other authorities. As an example, an individual school can provide a

police authority with real-time images of the area in and around the school.

"Surveillance systems play an important role in the daily operations of a modern school and help to protect students, teachers and other employees from various types of threats," says Tim Beerup, COO at MSBA. "We evaluated many different security solutions and found that the system from Digital Technology & Surveillance based on Axis network video was by far the best product."

## Products and solutions under the Axis brand

Axis' sales of products under its own brand amounted to 85 percent of total sales. The Video product area, which accounted for 69 percent of sales in 2004, continued to show strong growth.

### Video

Since 1996, when Axis launched the world's first network camera for connection to an IP network, the company has been the leader in network video solutions. Axis currently offers a broad range of network cameras and video servers for a large number of applications, where the most prominent solutions are for security surveillance and remote monitoring.

Network-based video equipment increase efficiency and flexibility in systems. At the same time, both installation and operation are simplified, resulting in digital systems that provide lower total cost of ownership. Unlike analog cameras in CCTV systems, network cameras do not require special cables, custom infrastructure and special monitoring stations. Since network cameras are connected directly to an IP network, they can rapidly and easily provide access to real-time video of high quality, regardless of where in the world the user is located. Since the standard IT structure is employed, the end user can make use of open storage solutions that are easily scalable and that can be integrated with access control systems. The user can then also record, store, transmit and process images more efficiently with sharply reduced demands on administration.

For companies that currently have large analog surveillance systems and want to be able to exploit exist-

ing investments for an additional period, an Axis video server offer a cost-efficient bridge to IP-based video. With the video servers, the analog information can be digitized and then processed in the same manner as information from digital network cameras.

### THE YEAR IN BRIEF

During 2004, Axis further strengthened its leading position in the international network video market, not least through a significantly broader product offering with a new generation of network cameras and video servers.

During the year, Axis launched a total of 20 new video products and solutions. Most of the video products are based on the new proprietary ARTPEC-2 video compression chip. The new technology attracted considerable attention at international security exhibitions during 2004 where interest for Axis' new products was very great.

The year was also successful with respect to sales partnerships. The partnership with Honeywell was expanded. Axis was appointed as strategic supplier of network video products for installations within several customer segments. In addition, Axis received a significant order from Honeywell Ltd. in May for a security surveillance system for the railway network in Western Australia.

In June, Axis initiated a global partnership in IP-based surveillance with Securitas of major strategic importance. This partnership means that Securitas' Systems Division will offer Axis network video products to its global customer base, which thus far has primarily used analog video technology. During the autumn, Axis conducted significant education programs within Securitas in several major markets.



## Reduced crime in Kingston-upon-Hull

As a result of the high crime rate in a residential area in the English town of Kingston-upon-Hull, local authorities launched an initiative to reduce crime and vandalism. Within the framework of the projects, an IP-Surveillance system was installed to make it possible to monitor areas from a central location. When the system, which consists of analog cameras that have been linked together and digitalized with the help of Axis video servers, had been in operation for five months, encouraging statistics could be pre-

sented. Car-related crime in the area had been reduced by a full 80 percent, the number of robberies by 68 percent, violent crimes by 30 percent and vandalism by 59 percent.

"The reduction in the number of crimes and disturbances of the peace that we have achieved is truly remarkable. This project really shows the results that can be achieved when we can use innovative technology in our work," says Paul Cheesman, chief superintendent at the Humber-side Police.

In November, Axis received a major order from an American casino, Turning Stone Casino, together with its important partner Lenel.

During the year, Axis also signed several strategic customer contracts that clearly indicate recognition both of Axis and the increased importance of IP-based video systems.

A large number of orders were received within all customer segments, including additional school districts in the US and an industrial plant surveillance system in Mexico. In November, an interesting contract was presented with VISICU, which sells network video-based systems for improved intensive care.

During the year, Axis also strengthened and broadened its video offering through the introduction of the AXIS Camera Station. The Camera Station is a complete IP-based software solution for video recording, monitoring and event processing for Axis network cameras and video servers.

With Camera Station, Axis is responding to the increasing demand for complete solutions for video and remote monitoring that combine software with network video equipment. This solution was well received in the market during the year.

### APPLICATION PARTNERS PROVIDE STRENGTH

An important part of Axis continued penetration of the professional market is the company's successful ADP (Application Development Partner) program. This program is an initiative that brings application developers closer to Axis while ensuring that there is a broad range of applications that include the company's products. In addition, the ADP program broadens Axis presence to new market segments and new language areas.

The Axis ADP program currently includes slightly more than 200 companies around the world, including several key players, such as Honeywell, Milestone and Lenel.

### MARKET TRENDS

Axis is the recognized leader in the professional market, which is largely being driven by the technology shift now in progress from analog systems to network-based video systems. This shift, which is still in an early phase, opens the door not only for new solutions in the security market, but also for completely new application areas for network video. Video surveillance has thus far been associated primarily with security applications, but will also be used increasingly in other applications in the retail industry and education, as well as in health care.

IP-Surveillance also creates opportunities for integrating more intelligence in the systems, for example to be able to generate an alarm if abnormal behavior is detected or to avoid false alarms. Increased intelligence also makes it possible to create completely new applications, such as for example being able to analyze customer movements in a store. Axis is working actively to take advantage of the latest possibilities in intelligent video both through its own development and through partnerships with other leading companies in this area.

Another important effect of the technology shift is that the IT and security departments in many companies are rapidly being integrated with each other. This greatly benefits Axis, since the IT departments have significant knowledge of IP networks and often have previous knowledge of Axis and its products.



## Cases Group significantly increased productivity

The Spanish Cases Group, which operates a chain of bakeries and a central bread production unit in Barcelona, was looking for a system to ensure that its products were always available in stores. Its choice was a network-based surveillance system based on AXIS 2130 PTZ cameras that link together all bakeries using ADSL. What was originally conceived as a system to reduce inventories, increase product availability and reduce

travel between stores, also resulted in increased productivity.

"I could not even imagine the result that we obtained," reveals Jordi Cases, president of the Cases Group. "I was looking for a system for monitoring and control of our inventory levels as part of our marketing to customers. However, in just three months, we have also achieved an increase in productivity of over 20 percent."

During 2004, significantly increased interest for network video solution was also noted, particularly in conjunction with the security industry's larger exhibitions in Europe, Asia and the US. In pace with this increase in interest for IP-based solutions, competition is gradually increasing. The major manufacturers of analog surveillance cameras have begun to manufacture network video products, although none of them has yet to introduce a product portfolio that can match Axis' scope. Among the new competitors are both major players, such as Panasonic, Sony and JVC, and a number of smaller, often local companies that develop and sell network cameras and video servers.

Axis is successfully fending off competition and is currently recognized as the undisputed market leader. This leading position is due to several factors. Some of the most important are the company's extensive expertise in R&D, its established relationships with globally leading partners and the broad distribution and sales channels, which provide synergies with respect to availability and service. Axis can also offer the market's broadest product range, the greatest industry experience and technology recognized as leading-edge.

### RAPID MARKET GROWTH

Network video solutions still account for a small portion of total sales of surveillance systems. This means that the replacement market for analog systems offer very great potential for Axis' products.

The rapid shift to network-based systems continues, with strong purchasing interest for digital solutions that replace analog systems. The market for network video solutions is expected to grow by about 30 percent annually on a global level.

In a new report from 2004, JP Freeman value the global market for network cameras and video servers at USD 5 billion for 2009. Frost & Sullivan expect that some 70 percent of all surveillance cameras sold will be IP-based by 2010.

#### CUSTOMER BENEFITS FROM NETWORK-BASED VIDEO

**Remote accessibility:** Access live video at anytime, from anywhere.

**Cost-effectiveness:** Save money on start-up and maintenance.

**Flexibility:** Put the cameras wherever you want.

**Scalability:** The system grows with your needs.

**Integration:** Possibility to integrate with other systems.

**Digital quality:** High quality with digital technique.

## Prize for traffic surveillance in Washington

The Virginia Department of Transportation (VDOT) upgraded its analog traffic surveillance system to achieve greater cost efficiency and improved service. Its choice was based on Axis' video servers. The new system was designed in two parts, a public portion allowing citizens to get an overview of real-time traffic conditions on a website, and another part that is used by response units, such as police and fire vehicles. "We have always wanted to make video and other traffic information available to the public, but with only the analog technology that we had

previously, it was too expensive," says Jim Robinson at VDOT. "Thanks to Traffickland and Axis, however, we can now achieve this goal at a very low cost."

The installation, which covers central Washington D.C., was recently awarded the Governor's prize in the category Public Private Partnerships. The motivation for the prize cited the value created for motorists, commuters and emergency response units in the region. The website is currently registering about 400,000 visits per day.



## Print

For several years, Axis has been one of the world's leading brands in print servers, which enable cost-efficient and user-friendly print functions, regardless of network environment or printer type. With the market's broadest range of external print servers, Axis can meet the requirements of both small customers and large companies and organizations.

Print servers make a printer available on the network so that it can be used by many people simultaneously. Axis print servers are independent of printer model and manufacturer and can also work in mixed environments with different computers, such as PCs, Macs, Unix and IBM mainframes. Integrated user-friendly administrative tools make it possible for IT administrators to monitor and control the printing environment using a conventional web browser.

Axis document servers facilitate the processing of paper documents in a cost-effective manner. By connecting a scanner and/or a digital copier to the network via a document server, it is much easier to digitalize paper documents and forward them directly to one or more recipients via e-mail or fax.

### THE YEAR IN BRIEF

Sales in the Print product area also declined slightly in 2004. Despite this, Axis defended its position as number two in the global market for print servers.

During the year, two new print servers were introduced that are both designed for USB connection. The new products are well matched to the demands for simplicity and cost efficiency made by smaller companies and advanced home users.

### MARKET TRENDS

The market for print servers is mature and thus more exposed to economic factors than a more pronounced growth market. Against this background, Axis prioritizes sales and marketing together with existing sales partners.

Although market trends in this product area are highly dependent on general trends for IT investments, other driving forces also affect the print product. One of these is the transition to USB, which has opened the way for broader use of print servers. As a result, solutions for smaller companies, departmental offices and even advanced home users show relatively good growth. In this customer group, there is demand for inexpensive and easy-to-use solutions based on USB and cordless connections. Axis continues to strengthen its offering in this segment.

Through technical leadership, a well-balanced product portfolio and a well-established distribution network, Axis has the strength to maintain its market position.

## Thefts reduced at Mexico's largest electricity company



Comision Federal de Electricidad (CFE), which is Mexico's largest electricity supplier, chose Axis network video products for security surveillance of five of its plants. The network cameras were placed in and around parking lots, warehouses and other buildings to secure the company's property. CFE also uses the network camera's built-

up functionality for motion detection to report the occurrence of unexpected incidents. Axis software applications then enable CFE to monitor events and record video in incidents when motion is detected. The system quickly showed its effectiveness.

"We chose Axis products because we saw that they offered the best means

of simultaneously securing several plants with round-the-clock surveillance," says Guillermo Flores at CFE. "Our new system has already begun to pay for itself, since we see a reduction in thefts."

## OEM and technology products

In addition to the products sold under the Axis brand, other parties in a large number of contexts also use Axis technology.

The central component in Axis' OEM offering is the proprietary ETRAX chip technology, which together with Axis software makes it possible to develop network-based applications quickly and cost-effectively. In addition to custom products and network solutions sold through OEM partners, Axis sells hardware and development platforms directly to third-party developers who build their own solutions based on Axis technology.

Customers are global manufacturers of printers and copiers, as well as companies that develop video products. These include several of the largest market players, such as Canon and Konica Minolta. The greatest proportion of these sales consists of print server products. Products in the video segment, however, account for an increasing share of Axis' OEM sales.

### THE YEAR IN BRIEF

Axis' OEM and third-party sales as a percentage of total sales declined over the past two years, as a result of a restrained investment climate in the IT sector and that the market for print servers is mature. During 2004, OEM sales accounted for about 15 percent of total sales.

During the year, Axis signed several important contracts in the OEM segment, as well as more purely technology sales to third-party developers.

As previously anticipated, Axis' video technology is now beginning to comprise a growing share of total

sales in the OEM segment. Canon launched two new video products during the year that are based on Axis technology.

During the third quarter, the AXIS 1650 Print Server was launched together with Canon. This print server replaces the previous jointly developed product AXIS 1610, which has been sold in large volumes. The AXIS 1650 is a dedicated print server for Canon's printers and multi-function copiers for small and medium-size companies.

Within technology sales, a contract was signed during the year with Italy's ACME Systems, which has been very successful in producing solutions for network-connected gaming machines.

### MARKET TRENDS

For some years, Axis has been a well established player with a strong position in the international market for network solutions. Through its long-standing relations with several of the largest global equipment manufacturers, as well as its recognized leading-edge technology, Axis has created a stable platform for continued favorable OEM sales. Axis works with open-source code and actively supports third-party development, thus providing a growing customer base for the company's technology solutions.

The core of Axis' OEM offering has historically been print server solutions. Although the market for these products is now characterized as mature, there are excellent opportunities for significant sales volumes in print server solutions.

## Research and development

Axis' development work is currently focused on hardware and software for network solutions primarily within Video and Print. During the year, focus was also increased on application software for video. Within these development areas, the company has 120 R&D personnel with recognized leading-edge expertise.

Development operations are concentrated in Lund, Sweden.

During 2004, SEK 127 M, corresponding to 18 percent of Axis' total sales, was invested in research and development of the company's own hardware and software.

## Increased effectiveness in casino surveillance

When Turning Stone Casino in New York began expanding its casino facility, a decision was taken to review the existing analog surveillance system. Turning Stone chose to upgrade the previous system with an IP-based surveillance solution in order to better utilize the existing network infrastructure. Axis network cameras and video servers are used in a variety of dif-

ferent applications within Turning Stone Casino. In addition to monitoring entrances, corridors, the parking garage and the restaurant areas, the cameras are used to monitor the flow of people in the heavily trafficked area. Video recording and image processing are accomplished with software from Lenel Systems International.

The system is also equipped with software for face recognition intended to detect unwelcome guests.

"We chose the Axis surveillance system because it best suited our existing network infrastructure while at the same time significantly improving surveillance capability," says Jeffrey McGowan, system engineer at Turning Stone Casino.



### AXIS' LEADING CHIP TECHNOLOGY

#### ETRAX

The core of Axis' products is ETRAX, a proprietary ASIC (Application Specific Integrated Circuit) for connecting to fixed and wireless networks. Together with the company's own design and software platforms, the ETRAX chip provides a very flexible technology platform on which Axis' world-leading products can be developed quickly and cost-effectively.

ETRAX handles calculations, memory management and all communication with the network. The chip is small and consumes little power, making it possible to build network intelligence into even very small products.

During 2004, an updated variant of the advanced development chip ETRAX 100LX MCM was launched which in principle is complete but small Linux computer on a single chip. The new upgraded version of the chip, which includes additional memory, was received with great interest among Axis' OEM and technology customers.

#### ARTPEC

In addition to ETRAX, Axis has also developed its own image compression chip, ARTPEC, which has greatly contributed to Axis' dominant position in the network video market. ARTPEC is used in both Axis' network cameras and its video servers for image processing and compression.

In January 2004, Axis introduced the second-generation video chip ARTPEC-2. The introduction of ARTPEC-2 together with a new video design platform constituted an important milestone. Through these innovations, Axis further strengthened its leading position in the network video market. In addition to an enhanced capacity to customize and design new products faster at a lower cost, product performance was increased significantly. Not least due to sharply improved image quality, increased bandwidth efficiency and greater flexibility.

### PROPRIETARY AND CUSTOMIZED DEVELOPMENT

The majority of those working within R&D work with the development of Axis products sold under the company's own brand, primarily network cameras, video and print servers and video application software.

Axis' R&D department also conducts custom development projects for the company's OEM customers. These development efforts are based on Axis' own ETRAX and ARTPEC chips.

During the year, a software platform, that Axis obtained through the acquisition of the Danish company Attento in 2003, was enhanced. As a result, AXIS Camera Station, an application for video surveillance, was launched during the year. To further promote the development of software applications, the partner program was expanded. Today Axis has more than 200 partner companies that develop applications based on Axis' network cameras and video servers.

### RESEARCH AND COLLABORATION

Investments in research are currently entirely focused on three strategic areas:

- image analysis
- chip design on silicon and network
- communication protocols.

Within each area, long-term technology development is being conducted internally. Research takes place primarily through industrial participation in various national and local research programs. Axis also has excellent relations with several research groups at the Lund Institute of Technology, the Royal Institute of Technology, Chalmers University of Technology and Linköping Technical University.

### PATENT

Axis pursues an active patent strategy to protect investments in core technology and intellectual capital. During the year, eight new patents were granted, of which most related to image processing. Over the years, Axis has obtained a total of 41 patents.



## Network video provides efficient intensive care

America's VISICU is specialized in efficient intensive care. The foundation for VISICU's successful offering is eICU, an intensive care system that has won prizes. The system, which is based on Axis' video servers and audio modules, enables doctors and nurses to communicate with care providers and patients from a remote monitoring center called an eICU facility. With eICU technology, one or two intensive care specialists and five nurses can provide care for more than 200 patients simultaneously, even though the

patients are in different hospitals spread out over a wide region.

"Axis technology makes it possible for doctors and nurses to interact in real time with care providers and patients at their location," says VISICU's CEO Frank Sample. "The excellent video quality enables a doctor to observe a patient's breathing pattern and to conduct details examinations. The eICU system is so successful that mortality in patients in this type of monitoring center has decreased by as much as 27 percent."

## The global Axis

More than 95 percent of Axis' sales are outside Sweden. The company is represented globally through its own offices in 16 countries and through partnerships with distributors, resellers, systems integrators and OEM partners in an additional 70 countries. With this indirect business model, Axis achieves a geographical scope and reaches a significantly greater number of users than would be possible through direct sales to end users.

Axis conducts an extensive education program called the Axis Channel Partner Program that is focused on building close relations with value-added resellers, security system installers and systems integrators, who are closest to end users in the professional segment where growth of network video solutions is most rapid. Knowledge of Axis' products is assured through an ambitious training program, Axis Academy, which results in end users receiving the best conceivable help.

Today there are more than 2,000 active and qualified partners in the Axis Channel Partner Program. The increase in the number of partners reflects clear recognition of Axis technology, as well as the increasing importance of IP-based video systems for such application areas as security surveillance and remote monitoring.

During 2004, Axis deepened its relations with global partners, such as Honeywell, Securitas, Ingram Micro, Anixter and Lenel. These partnerships give Axis a uniquely strong position in the market and provide excellent prerequisites for continued growth.

### SALES TRENDS IN 2004

Growth during the year remained strongly positive in all regions. Overall, the Video product area grew by 33 percent, compared with the preceding year. Measured in local currency, growth was considerably stronger, averaging 40 percent in Europe and the US.

Other product areas were adversely affected by a mature market with generally lower demand.

### EMEA

The EMEA region (Europe, Middle East and Africa) still accounts for the major portion of Axis' total sales or 51 percent during 2004, compared with 49 percent in 2003. The most important driving force for the rapid growth in sales in

Europe was also the shift in progress from analog to digital video solutions. A noticeably higher rate of investment in several Eastern European countries also contributed positively to sales.

During the year, Axis signed a number of important contracts with both partners and new customers. Among partners, new and strengthened agreements were signed with such leading distributors as Ingram Micro, Tech Data and Anixter. In June, a strategically important partnership agreement was also signed with Securitas, which will gradually begin offering its global customer base network video solutions. Increased sales were noted in all established customer segments, with the fastest growth occurring in Education and Retail. Great interest was also noted among telecom companies, such as Telefónica, which sees solutions containing real-time video as attractive added value services for customers in networks with ample bandwidth capacity.

In the Print product area, Axis defended its position through active marketing adapted to a mature market.

### AMERICAS

Sales in the Americas region continued to show strong growth. Despite the negative effect of the lower USD exchange rate, the Americas accounted for 30 percent of Axis' total sales during the year, compared with 28 percent in 2003. The most important driving force for the rapid growth in the region were major successes in the Video product area, which accounted for the major share of Axis' sales in the region during the year. In the US, the trend was clear that the traditional security companies showed an increasing and accelerating interest for network video solutions. At the major national security exhibition ASIS in Dallas in September, the focus was on the shift now in progress from analog to digital solutions. The exhibit marked a clear breakthrough for IP-based video solutions in several respects.

The Americas sales organization continued to further strengthen the sales and distribution channels with great success during the year. The number of resellers and systems integrators linked to Axis doubled during 2004. At year end, the company had more than 1,200 active partners in this region.





## Increased security on trains in Perth

The Western Australia Public Transport Authority in Perth took a decision to commission development of an advanced surveillance system to enhance security for Transperth's passengers. The assignment went to Honeywell, which designed a system based on Axis video servers. The system consists of cameras that register activity in all train carriages, video surveillance of platforms, buttons for emergency calls and improved lighting in the stations. Cameras along the railway lines send live video around the clock to a central monitoring station.

"With an advanced surveillance and alarm system linked to a common monitoring central, we can immediately take action when incidents occur. The system also facilitates prosecution, since the high image quality of both still images and video allows recorded material to be used as evidence in court cases. As we see it, a world-class railway system needs a security system of the same caliber," says Alannah MacTiernan, minister in Western Australia's federal government.

Axis was able to report successes in all established customer segments in the Americas region. Successes in the Education segment continued, and several important contracts were signed in this segment, including one with the Frisco School District in Texas. Axis video solutions are currently installed in several hundred US schools and universities. During the year, Axis supplied video products to several prestigious installations within the framework of the US Homeland Security initiative.

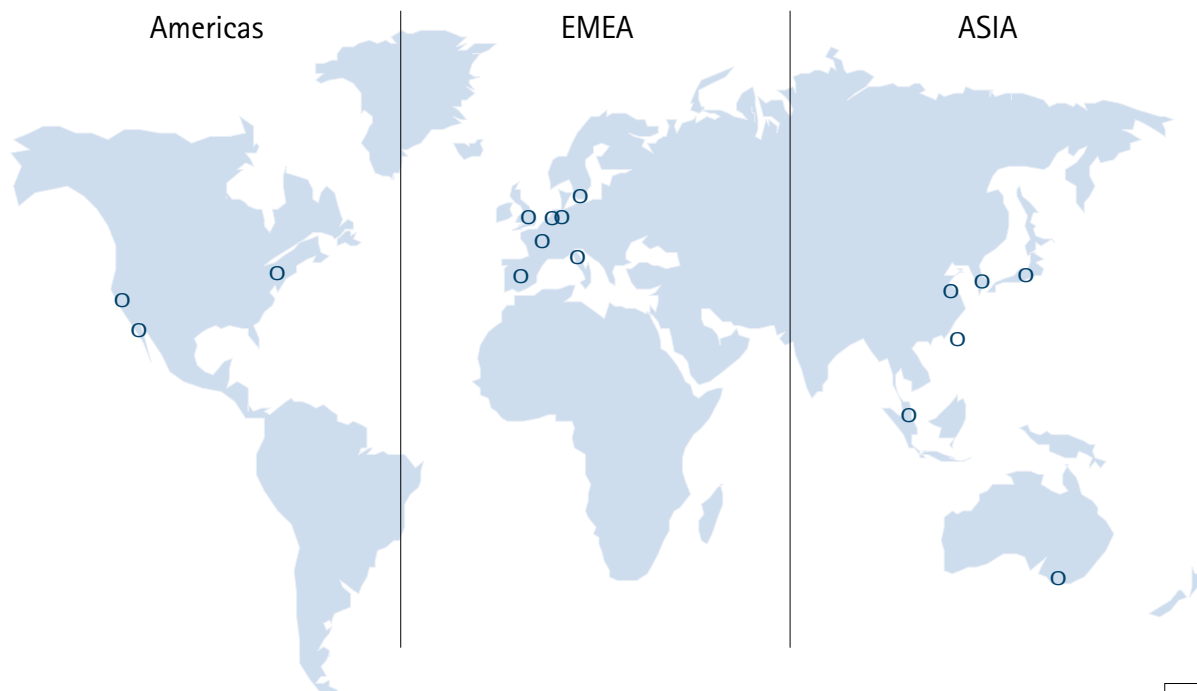
### ASIA

This region accounted for 19 percent of Axis total sales, compared with 23 percent during 2003. The Asia region as a whole comprises a sharply diversified market with great economic and cultural differences between the different countries. Common to the region, however, is a rapidly increasing interest for network-based video and a trend towards increased demand for total solutions, particularly for larger professional installations. Asia is also the market region in which Axis has been exposed to the greatest low-price competition from local players in the video segment. Despite

tough local competition, Axis was able to report growth in Australia and New Zealand, which are markets that are included in Axis definition of the Asia region.

Within other product segments, Axis successfully defended its positions.

A significant share of Axis' sales in the Asia region derive from Japan, where the company's OEM contracts with several of the largest electronics companies result in strategically important partnerships. OEM sales declined somewhat during the year, however, due to the general maturity of the print market, which resulted in customers purchasing smaller volumes and developing a greater share of network solutions in-house. The Japanese economy showed favorable growth in 2004 following slightly more than a decade of recession. The improved economic conditions contributed to stabilization and an increase in demand for video solutions. After a late start, the explosive growth of broadband also continued. This development, in combination with the fact that Japan is the world's next largest exporter, means that Japan will continue to receive high priority in Axis' global strategy.





## Human resources and competence

Axis market-leading position and strong innovative ability are in large part based on the company's ability to attract and retain competent and committed employees. For a global company such as Axis, it is also important to ensure cultural diversity and an internationally viable workforce.

Axis works with a number of common values and guidelines that in combination with its overall business goals provide the foundation for an attractive working environment that creates the prerequisites for profitable growth. The common guidelines encourage all employees to think creatively and innovatively. At the same time, the company's values should instill respect for each others' differences and promote a positive development in which everyone is encouraged to ask questions, take initiatives, to always strive forward and to deliver results on time.

Another important objective for personnel work within Axis is to create a favorable balance that ensures both growth and quality. In pace with the company's growth, the organization must also be enhanced to be able to more efficiently meet increasing demands.

Diversity is a significant part of Axis' business culture that promotes both creativity and understanding for the problems and opportunities facing global customers. At the head office in Lund alone, there are employees with origins in some 20 different countries.

### CONTINUED DEVELOPMENT

Axis encourages internal mobility within the organization as far as possible and prioritizes internal recruitment over external.

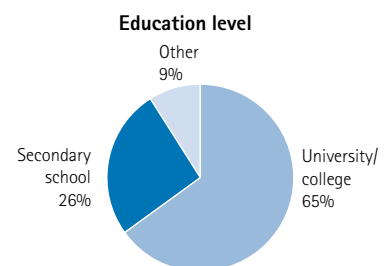
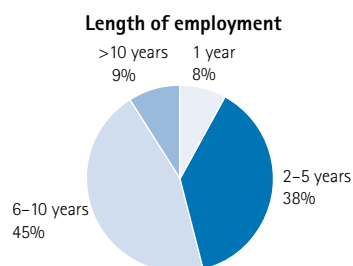
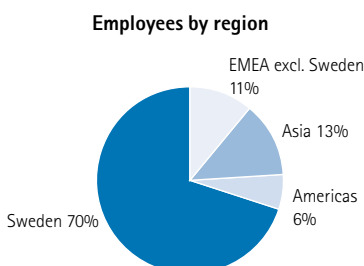
To ensure a high level of competence in future recruitment and to be an attractive choice for new graduates, a partnership has been maintained for many years with the Lund Institute of Technology. Axis offers about ten thesis positions each year, and Axis employees teach certain university courses. Each year, the company also presents the coveted Axis Award for the best thesis project.

### SOUND WORKING ENVIRONMENT RESULTS IN LOW ABSENCE

Axis places great emphasis on providing a sound working environment for employees. An important factor in limiting absence due to illness is to offer easily available fitness alternatives, which include access to a training facility and fitness subsidies. The company also places considerable emphasis on the psychosocial working environment, in part by working actively to shape and stimulate Axis' already strong Core Values.

During the year, absence due to illness in Sweden was low at 2.4 percent. Among women, the figure was 3.2 percent, while it was 2.2 percent for men. In the age group from 0–29, it was 3.8 percent, 2.1 percent for ages 30 – 49 and 1.8 percent for ages 50 – 65.

Employee turnover in the Group was 12.8 percent (6.4%). The increase was primarily a result of the re-organization that was initiated during the autumn of 2003 but which did not achieve full effect until the beginning of 2004. Disregarding the re-organization, the employee turnover rate was 7.7 percent. The average age of employees was 36 years.





## Environmental policy

Axis shall as far as possible limit the impact of its operations and products on the environment. In line with this, the company works with an overall environmental policy that is intended to ensure that the company provides products and solutions in an efficient and environmentally friendly manner.

All operations must be conducted with the lowest possible environmental impact so that energy consumption is minimized, opportunities are provided for recycling and legal obligations, environmental laws and other requirements are naturally respected.

### BROAD ENVIRONMENTAL COMMITMENT

Axis' goal is to maintain and strengthen its deep environmental responsibility among its employees and to ensure that employees are trained and motivated so that Axis' environmental policy is applied in daily work.

Environmental considerations are an integrated part of each new project, which means, for example, that each new product development project does not use any substances that are harmful to the environment according to the forthcoming EU directives. Even in existing product series, environmentally hazardous substances, such as cadmium and flame-proofing materials are replaced by more environmentally compatible alternatives.

Axis provides customers, suppliers, shareholders, employees, authorities and the public with clear environmental information about the company's products, services and operations. Axis promotes and supports customers and partners in the choice of environmentally friendly products.

### DELIVERIES AND TRANSPORTS

Axis also engages in a continuous and constructive dialogue with suppliers and sub-suppliers to reduce or eliminate unfavorable environmental effects of materials used in the manufacturing process. One of Axis' requirements is that suppliers and sub-suppliers are aware of environmental legislation and current regulations and can show that they are followed. Axis demands that suppliers specify the raw materials contained in products supplied to the company.

Axis also strives to use environmentally certified transporters as far as possible. Transports are the portion of the logistics process that has the greatest impact on the environment.

### CUSTOMERS

In Japan, leading companies, such as Canon, have decided to remove environmentally damaging substances, such as lead, from their products. Canon has authorized Axis as a Green Supplier with expertise in lead-free production.

### ENVIRONMENTAL WORK IN 2004

During the year, Axis worked with the following environmental measures:

- The first completely lead-free product was produced in a pilot project.
- Work was begun to ensure that all new product development projects meet the requirements for Restriction of Hazardous Substances (RoHS) that take effect on July 1, 2006.
- A project was begun intended to transition all existing products so that they meet the requirements of both RoHS and WEEE (Waste of Electric and Electronic Equipment). This work will continue during 2005.
- Work to replace packaging with more environmentally friendly alternatives was completed during the year.



## Opportunities and risks

### OPPORTUNITIES

Axis' growth potential is related to the shift from analog surveillance systems to network video solutions. In addition, there are opportunities related to new application areas and new customer segments in Video, such as in education, retail and the manufacturing industry.

As the established market leader in network video solutions, Axis is well positioned to exploit the growth opportunities arising from both the technology shift and new application areas.

### RISKS

In addition to the operational risks associated with macroeconomic trends, Axis is exposed to risks associated with the technology shift and Axis' position in a relatively young market. The expected growth primarily in network video will result in increased competition from resource-strong companies in CCTV that are increasingly eager to establish themselves or increase investments in this area. These companies include Bosch, General Electrics, Panasonic, Sony and Pelco.

### STRENGTHS

Axis' primary strength is the company's technological and market leadership in network solutions and products with the Video segment. The combination of long experience of proprietary network technology and a global network of distributors and strategic partners provides Axis with a strong foundation for continued growth.

To maintain and strengthen its leading position, Axis works continuously to develop its technology, to penetrate new customer segments and to expand in new markets.

### RISK MANAGEMENT

#### Operational risks

The commercial risks to which the business is exposed include credit risks from sales, political risks, supplier risks and property and damage risks. Credit risks from operational flows are handled at the local level. The Group's credit policy provides the framework for managing these risks. Political risks are primarily associ-

ated with local regulations regarding camera surveillance. Currently there are no known changes regarding legal restrictions in this area. Risks in the legal area are handled by Axis' specialists in collaboration with external lawyers and advisors.

#### Intangible risks

Exposure to intangible risks in patents, IT and human capital are handled by Axis' specialists in collaboration with external lawyers and advisors. To date, a few disputes regarding patent intrusion have been discussed, and during the year, Axis, along with 27 other companies, were the subject of a claim regarding intrusion. This has not yet resulted in any consequences for Axis, however.

#### FINANCIAL RISKS

Axis' finance policy specifies how responsibility for financial risks is delegated within the Group, what financial risks the Group is prepared to take and the guidelines for how they shall be limited. The Treasury function within Axis AB has the main responsibility for the Group's financial activities and compliance with the finance policy. Treasury operates as an in-house bank within the Group and its task is to ensure that the Group has credit facilities, that subsidiaries have sufficient operating liquidity and the currency risks are minimized from the Group's viewpoint. The Treasury function does not have its own risk mandate. All currency hedging with the Group is carried out through Treasury.

The financial risks are divided into the following groups:

- *Currency risks* Risk that currency movements have a negative effect on Group earnings.
- *Interest-rate risk* Risk that market interest rate fluctuations impact adversely on Group earnings.
- *Financing risk* Risk that loan facilities cannot be renewed and, consequently, affect the Group's liquidity readiness.
- *Counterparty risk* Risk that the Group's financial counterparties cannot fulfill their obligation and as a result affect the Group earnings negatively.



### CURRENCY RISK

The Axis Group has a strong international character and a large percentage of sales and purchases are in currencies other than SEK. Changes in exchange rates affect the company's profits in several ways, but mainly through sales and purchases taking place in different currencies, the translation of foreign subsidiaries income statements and balance sheets and investments in currencies other than SEK. The Axis Group is mainly exposed to fluctuations in the SEK rate to USD, EUR and JPY. The Treasury function is responsible for the Group's net exposure being hedged.

Axis' finance policy specifies how currency risk shall be minimized. Axis has divided currency risk into two main groups:

- *Transaction risk* Transaction risk means the risk that currency movements in the net cash flow in foreign currencies affect the Group earnings negatively.
- *Translation risk* Translation risk means that currency movements in the Group's net investment in subsidiaries affect the Group earnings negatively.

### TRANSACTION RISK

In accordance with the finance policy, transaction risk shall be minimized through currency hedging of the next 12 months of expected net cash flow. Currency hedging of the next two months shall be within the interval 60-100 percent of the exposure and for the following 3-12 months within the interval 0-50 percent. The finance policy states that a change in a currency in relation to SEK of 5 percent must not affect earnings in an amount of more than SEK 0.5 M. Historical currency rate flows are reviewed monthly.

### TRANSLATION RISK

Exchange-rate movements in investments in subsidiaries also affect the Axis Group's earnings. To minimize the risk of negative earnings effects, the finance policy states that 80-100 percent of the exposure shall be hedged. During 2004, net investments in subsidiaries in Japan and the US were hedged.

### INTEREST-RATE RISK

The finance policy stipulates that Treasury must minimize interest expense to the greatest possibility extent. Short-term financing may be assumed from a maximum average of fixed-interest term of six months. In

accordance with the finance policy, the Treasury function may use interest-rate derivatives to ensure that interest fluctuates a maximum of 2 percentage points on credit facilities during one year. The interest-rate risk for 2004 was marginal since the credit facilities were not used during the entire year.

### FINANCING RISK

The finance policy states that Treasury shall ensure that the Group always has credit facilities with several banks and that these may not mature in the same quarter. At any given time, Axis shall have access to 10 percent of sales in liquid funds or unutilized credit facilities. On December 31, 2004, Axis had SEK 121 M in liquid funds plus unutilized credit facilities totaling SEK 80 M, compared with SEK 103 M and SEK 80 M on December 31, 2003.

Surplus liquidity is placed in fixed-income securities with a maximum maturity of two years and average term of a maximum of six months. On December 31, 2004, SEK 60 M was placed in fixed-income securities with an average term of 1.3 months, compared with SEK 69 M and 2.1 months on December 31, 2003.

### COUNTERPARTY RISK

Management of counterparty risks is controlled by the finance policy, which stipulates that the minimum long rating shall be Moody's A or Standard & Poor's A. The short rating shall be Moody's P-1 or Standard & Poor's K-1, alternatively A-1.

### SENSITIVITY ANALYSIS

The table below provides an indication of the effect of the most important factors on Axis' earnings for the 2004 fiscal year. In addition to currency effects, the factors considered to have the greatest effect on earnings are purchase prices and personnel costs.

Factor	Change, %	Effect on operating profit, SEK M
Currency, SEK/EUR	+/-5	+/-11
Currency, SEK/USD	+/-5	+/-1
Purchase prices	+/-5	+/-12
Personnel costs	+/-5	+/-10



## The Axis share

Axis was listed on the O-List of the Stockholm Stock Exchange on June 27, 2000. A round lot consists of 500 shares. During 2004, a total of 19,645,344 Axis shares were traded, corresponding to an average sales of 77,650 shares per trading day. Trading in the share took place on all trading days. The turnover rate during the year was 28.5 percent, to be compared with the average of 82 percent for the entire O-List.

The final quoted price on December 30, 2004 was SEK 18. The highest price of SEK 19.90 was noted on February 9, 2004. The lowest price of SEK 11.80 occurred on August 17, 2004. During the year, the share rose from SEK 17 to SEK 18, corresponding to an increase of 5.9 percent. During 2004, the SIX General Index rose by 17 percent. The Affärsvärldens IT industry index rose by 7 percent.

As of January 2005, the Axis share is included on O-List's Attract 40.

### MARKET CAPITALIZATION

Axis had a market value of SEK 1,240 M as of December 30, 2004, which was an increase of 6 percent during the year.

### SHARE CAPITAL

The share capital amounted to SEK 689,000 distributed among 68,900,000 shares, each with a par value of SEK 0.01.

#### Development of share capital

Year	Number of shares	Par value (SEK)	Share capital (SEK)
1984	500	100.00	50,000
1985	5,040	100.00	504,000
1987	5,640	100.00	564,000
1997	564,000	1.00	564,000
1999	56,400,000	0.01	564,000
2000	68,900,000	0.01	689,000
2001	68,900,000	0.01	689,000
2002	68,900,000	0.01	689,000
2003	68,900,000	0.01	689,000
2004	68,900,000	0.01	689,000

### OWNERSHIP STRUCTURE

The number of shareholders at year-end was 9,091 (9,803). The proportion of foreign owners was 4.7 percent (2.7).

The table below shows Axis' ownership structure as of December 30, 2004.

Owner	No. of shares	Share of capital and votes, %
Mikael Karlsson, privately and through company (LMK Industri AB)	15,645,764	22.7
G. Kallstrom Et Co AB (part of Skanditek Group)	13,539,765	19.7
Martin Gren, through company (Grens specialisten AB)	7,557,471	11.0
Fourth AP Fund	3,320,700	4.8
SIF	2,421,500	3.5
Others	26,414,800	38.3
<b>Total</b>	<b>68,900,000</b>	<b>100.0</b>

#### Ownership structure December 30, 2004

Size classes	Number of owners	Number of shares	Percentage of shares	Percentage of votes	Market value SEK 000s
1-500	5,516	1,286,588	1.8	1.8	23,163
501-1000	1,648	1,500,157	2.2	2.2	27,003
1,001-10,000	1,762	5,790,076	8.4	8.4	104,221
10,001-50,000	113	2,406,949	3.5	3.5	43,325
50,001-100,000	18	1,365,725	2.0	2.0	24,583
100,001-	34	56,550,505	82.1	82.1	1,017,909
<b>Total</b>	<b>9,091</b>	<b>68,900,000</b>	<b>100</b>	<b>100</b>	<b>1,240,204</b>

#### Per-share data

	2004	2003
Profit after financial items, SEK per share	0.83	0.12
Cash flow, SEK per share	0.26	-0.39
Equity, SEK per share	4.93	4.36
Share price on closing date, SEK	18.00	17.00
Share price/equity, % per share	365	390
Dividend	-	0.15
P/E ratio	33	neg.
P/S ratio	1.8	1.9
Number of shares outstanding (000s)	68,900	68,900
Average number of shares (000s)	68,900	68,900



### DIVIDEND AND DIVIDEND POLICY

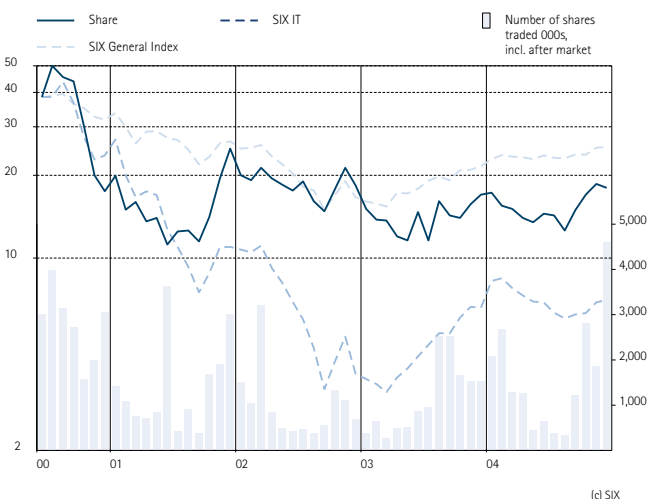
Axis' dividend policy is to provide a dividend amounting to one third of profit for the year after tax, taking into account the company's equity ratio goal. The Board proposes an ordinary dividend of SEK 0.20 per share for fiscal year 2004 and an extraordinary dividend of SEK 0.30 considering the company's strong financial position.

### WARRANTS

Since 1999, Axis has had an outstanding warrants program open to all employees and intended to encourage long-term commitment to ensuring a profitable business. The terms, number of warrants and the dilution that would result from full exercise of the warrants are shown in the table below. See also Note 21 on page 36 for further information.

Recipient	Maturity date	Exercise price	No. of warrants	No. of shares	Dilution, %
Personnel in Europe and Asia	05-09-30	54.00	1,128,000	1,128,000	1.60
Personnel in Europe and Asia	05-09-30	63.00	172,250	172,250	0.30
Personnel in Europe and Asia	06-10-02	18.00	221,600	221,600	0.30
Personnel in Europe and Asia	07-10-02	26.00	104,200	104,200	0.15
Personnel in USA	10-09-30	48.00	172,250	172,250	0.30
Personnel in USA	06-10-02	18.00	89,000	89,000	0.10
Personnel in USA	07-10-02	26.00	64,000	64,000	0.09
<b>Total</b>			<b>1,951,300</b>	<b>1,951,300</b>	<b>2.84</b>

### Share price trend



### Analysts who regularly follow Axis

Company	Name
Enskilda Securities	Lars Sveder
Handelsbanken Capital Markets	Jonas Eixmann
Kaupthing Bank	Mikael Laséen
REDEYE	Urban Ekelund
E. Öhman J:or Fondkommission	Susanna Westman