

April 20, 2001

Axis AB Interim Report January - March 2001

Operations in general

Axis develops products and solutions for cost-efficient and simple connection of personal devices as well as peripheral units in both fixed and mobile networks. Founded in 1984, the company is a strong player in server solutions for printers and scanners, storage media as well as camera and video products. Concurrently, Axis is a pioneer in the development of the mobile Internet, with solutions for wireless broadband access to the Internet and local networks. Axis' vision is to increase the value of the network for users by enabling access to everything, from anywhere, any time.

Axis is active globally, with its own offices in fifteen countries and through cooperation with distributors and strategic partners. More than 95 percent of production is exported to more than 60 countries, with Europe, Asia and the US as the main markets. Since June 27, 2000, Axis is listed on the O-List of the Stockholm Exchange.

Sales

Sales during the quarter amounted to SEK 175.9 M (150.4), an improvement of 17 percent compared with the corresponding period in the preceding year. Sales were affected positively by exchange-rate gains of SEK 16 M. The increase is partly attributable to the OEM operation, which developed favorably and posted an increase of 161 percent, and partly by the Camera Division, which rose 75 percent compared with the year-earlier period. The high demand for the company's camera and video products is a strong driving force for Axis' growth. Within Office Connectivity, OEM*, sales primarily increases for embedded printer solutions.

The investments made in Asia, particularly in Japan, during the past year continued to have a positive effect and Axis' sales in these markets develop well, with an increase of 85 percent compared with the year-earlier period.

The economic slowdown that began in the US could result in lower IT investments by companies and consequently a certain decline for Axis' more mature product segments within the Net-worked Office* Division. It is still premature to speak of a general slowdown since after a weak start the period closed with a positive sales trend in Europe and a continued favorable trend in the OEM market. Excluding Netch and accessories, sales in Europe improved by 14 percent compared with the corresponding period in the preceding year.

Operating result

The Group's operating loss was SEK 72.7 M, which was an increase of SEK 16.1 M compared with the year-earlier period. Operating results were affected positively by SEK 4 M in exchange-rategains. This period's earnings include restructuring costs of SEK 31.0 M for Netch, which was announced in the year-end report. Adjusted for these expenses and the loss in Netch, the operating result in the Group improved by SEK 21.8 M compared with the year-earlier period. ThinServer products posted an operating profit for the second consecutive quarter. However, earnings were charged with total costs of SEK 5 M for bad debts and temporarily increased product procurement costs since certain production during the first quarter of 2001 must be sited in Sweden instead of in Asia.

The loss was affected by the investments carried out in the Mobile Internet business area (SEK 23.8 M) and the total loss in Netch including restructuring costs (SEK 40.3 M). After an intensive development phase during 2000, Axis will reduce its pace of investments during 2001.

The average number of employees was 546 (472) during the period.

Business development

In January 2001, Axis reached an agreement with Canon's sales company in Japan for three different products based on Bluetooth(TM) wireless technology, including the access point Axis 9010, which is a mobile Internet product and Axis 5800 Mobile, a print server for wireless printing. The initial order value is about SEK 4 M. This is the first volume order within Axis' new business area. Some additional 250 prototypes of the access point were sold during the period to other partners for testing.

Axis also entered into an agreement during the quarter with American Honeywell to deliver a surveillance solution to a telecom operator in Taiwan. Axis is providing the network cameras and Honeywell is responsible for the system solution. The operator will be able to remotely monitor telecom stations in real time and carry out fault seeking and necessary adjustments over the Internet. The initial order value is about SEK 4.5 M.

During the CeBIT show in Germany in March, Axis introduced as planned its Mobile Access Server (MAS), a complete system solution aimed at existing and prospective operators of local mobile networks. It is developed to handle mobile Internet via access points through unlicensed radio technology. Among other features, MAS can handle network operations, positioning data, user identification, enhanced security and payment interfaces.

It is still uncertain when and how quickly Bluetooth will achieve a market breakthrough. Furthermore, it is difficult to assess when the market for local mobile networks will accelerate, although many industry observers project a massive growth in the years ahead. Accordingly, Axis has assumed a cautious stance and is not anticipating significant revenues for these solutions in a significant scope during 2001.

Netch Technologies AB

A new issue of SEK 57.6 M was carried out in February 2001 to strengthen Netch's capital base. Axis subscribed for a total of SEK 36.6 M, which resulted in the ownership interest in Netch Technologies increasing to 59 percent.

During the period, Netch carried out an action program that began at the end of last year to adapt the company to the prevailing market situation and to enhance the conditions for profitability during 2001. The trend will largely depend on future market development. The nonrecurring expenses for the action program amount to SEK 31 M during the period. Before restructuring expenses, Netch reports a loss of SEK 9.3 M for the quarter, which is more than a 50 percent reduction of the loss incurred in the preceding quarter.

Cash flow and financial position

Cash flow from ongoing operations was negative in the amount of SEK 17.8 M for the period. Net investments amounted to SEK 15.2 M. Axis has liquid funds amounting to SEK 198.7 M and unutilized credit guarantees totaling SEK 75 M. Accordingly, Axis has a total of SEK 273.7 M in disposable funds on March 31, 2001 and remains financially well positioned.

Equity

The Group's shareholders' equity amounts to SEK 325.9 M. The decline of SEK 53.4 M during the period includes the result for the quarter and an exchange-rate loss of SEK 0.3 M on warrants held in inventory. The total number of Axis shares amounted to 68,900,000 at the end of the period. After full subscription of outstanding warrants, the total number of shares is 70,942,500. The Group's equity/assets ratio at March 31, 2001 was 53.8 percent.

Parent Company

The Parent Company's operations are primarily focused on Group administration. The Parent Company has no employees. The operating loss amounted to SEK 10.6 M before tax. Liquid funds amounted to SEK 104.6 M and lending to SEK 60.0 M.

Annual General Meeting

The Annual General Meeting will be held at the Scandic Hotel Star, Glimmervägen 5, Lund, Sweden, Wednesday, May 23, 10:30 a.m.

Future reporting dates

Six-month interim report August 20, 2001

Nine-month interim report October 18, 2001

Lund, April 20, 2001

Board of Directors

*) As part of the restructuring carried out to increase customer orientation, the combined Storage and Document Divisions changed name to Office Connectivity, OEM. The division includes printer solutions, document processing and storage media. The OEM segment of operations has been streamlined and organized within Office Connectivity, OEM.

BLUETOOTH is a registered trademark owned by Telefon AB LM Ericsson and licensed to Axis Communications.

The full interim report including tables is available to download from the enclosed link.

[Interim Report January - March 2001](#)

*For further information please contact Peter Ragnarsson, CEO, tel: +46-46 272 18 00
or Anne Rhenman, Head of Corporate Communications and Investor Relations, tel: +46-708 90 18 29.
The Annual Report for 2000 is available on Axis' website, www.axis.com/corporate/investor/*