

Interim Report January–June 2002

Continued profitability and positive cash flow

- Group net sales for comparable units during the first half amounted to SEK 335 M (332).
- The operating profit for comparable units improved to SEK 18 M (loss: 92), corresponding to an operating margin of 5.5% (–27.6).
- Cash flow from operating activities amounted to SEK 9 M (–44).
- Continued sales growth in the Video product area; up 34% compared with the year-earlier period.

About Axis: *Axis develops solutions for user-friendly and secure communication over wired and wireless networks. The company is a world-wide market leader in network connectivity, with products for the office, facility and industrial environments.*

Axis was founded in 1984 and is listed on the O-list (Attract 40) of Stockholmsbörsen (XSSE:AXIS). With more than 300 employees, and offices in 14 countries, Axis operates globally in cooperation with distributors and OEM partners in 70 countries. Markets outside Sweden account for more than 95 percent of sales.

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Restructuring and changed reporting

Axis implemented restructuring measures during the second quarter of 2001. Unless stated otherwise, the comparative data presented in the following text applies to comparable units. The aim has been to show the development of the restructured company. At the end of 2001, Axis replaced the previous division organization with a functional organization in which sales are reported by product group starting with the first quarter of 2002.

Sales

Axis' net sales for comparable units during the first half amounted to SEK 335 M (332). Including the divested company Netch, net sales in the year-earlier period were SEK 353 M. Currency effects had no significant impact on net sales during the period. During the second quarter, net sales for comparable units amounted to SEK 171 M (168).

The Video product area shows a continued favorable sales trend, with sales of video servers and network cameras rising 34% compared with the year-earlier period. The product area expanded during the period, and now represents slightly more than 44% of Axis' total sales, thus comprising an area equal to that of the Print product area.

Sales for the Group as a whole has been stable during the period, despite the generally weak business environment and the tendency to restrict IT investments in the office environment, which continues to constrain sales for the Scan, Store and Print product areas. An increase in demand for video servers and network cameras is noted primarily in the areas of security and surveillance, where the trend is toward increasingly large investments.

Original Equipment Manufacturer (OEM) sales accounted for 24.7% of total sales, compared with 22.6% in the year-earlier period.

Operating result

The Group's operating profit for comparable units was SEK 18 M (loss: 92), an improvement of SEK 110 M compared with the corresponding period in the previous year. Including the divested company Netch, the operating loss in the corresponding period of the preceding year was SEK 122 M.

Operating margin for the first half of the year was 5.5% (neg: 27.6). Profit after financial items amounted to SEK 23 M (loss: SEK 97 M). Currency effects had no significant effect on operating profit.

The operating result for comparable units during the second quarter of 2002 amounted to SEK 8 M (loss: 59). Axis has thus achieved an operating profit for the fourth consecutive quarter, in accordance with plans, and an operating margin of 3.9% over the past 12 months.

Cash flow and financial position

Cash flow from ongoing operations amounted to SEK 9 M during the period. Net investments amounted to SEK 6 M. During the period, SEK 2 M in development costs were capitalized in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 15. During the second quarter, SEK 50 M of the Group's interest-bearing debt was amortized, leaving Axis with SEK 135 M in liquid funds, as well as unutilized credit facilities amounting to a further SEK 135 M. The company thus had disposable funds totaling SEK 270 M as at June 30, 2002.

Shareholders' equity

The Group's shareholders' equity amounted to SEK 291 M. Of the changes during the period, SEK 16 M is attributable to results for the period, SEK 1 M to a new warrants issue, and SEK 1 M to a change in warrants held on account. The total number of shares at the end of the period was 68,900,000. Following the exercise of all warrants outstanding, there would be 71,421,300 shares. As at June 30, 2002, the Group's equity/assets ratio amounted to 67%.

Business development

During the period, Axis continued to expand its product portfolio to strengthen its position in the market regarding network-based video solutions and print servers. Several new products for video

surveillance were presented at IFSEC, one of the world's foremost security trade shows. Products featured included a video server based on the MPEG2¹⁾ video compression technology and the first infra-red-sensitive network camera. During the second quarter, Axis' range of wireless print servers was also broadened to include solutions for both the 802.11b network standard and Bluetooth.

The trend toward increasingly professional applications and larger investments in video servers and network cameras continues. There is substantial interest in all geographic markets in security and surveillance solutions for stores, banks, prisons, residential areas and major traffic arteries. During the period, video servers totaling SEK 3 M in value were delivered to a new housing project in Singapore and further contracts were signed with Honeywell for an advanced security installation in the Pacific region. At the same time, the Company's activities in the burgeoning market for industrial applications of video surveillance are continuing. Part of this development involves a solution, developed jointly with ABB, for real-time control of industrial processes.

In the OEM market segment, two new contracts were signed during the period. The cooperation with Canon was expanded with yet another strategically important contract for the delivery of video server cards. The estimated value of the order during its first year is between SEK 5 M and SEK 10 M. Another Japanese OEM customer purchased customer-adapted access points for an initial order value of SEK 2 M.

Development during the second half of 2002

Due to the weak business environment, sales growth has been modest for Axis. Efforts to advance the Company's positions through technology, product and market development are ongoing. During the first half of the year, many markets showed signs of increased activity, but the continued weakness in the economy still impacts several of Axis' important export markets in the beginning of the second half of the year. Axis' goal of having profitable development in 2002 remains.

Accounting principles

The interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim Reports. The same accounting principles and calculation methods as in the most recent annual report were applied, with the exception of capitalization of expenditures for development work.

Parent Company

The Parent Company's operations focus primarily on Group administration, and the company has no employees. The operating loss amounted to SEK 1 M. The Parent Company's liquid funds amounted to SEK 58 M. An earlier loan of SEK 50 M was amortized, reducing total borrowing to SEK 0 M.

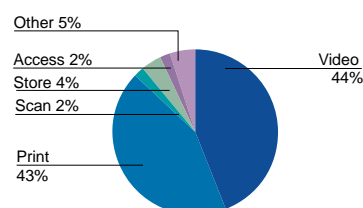
Lund, July 19, 2002

Peter Ragnarsson
President and CEO

¹⁾ Moving Picture Experts Group 2

Invoiced sales by product group excl. Netch (SEK 000s) ^{1) 2)}	Q1 2002	Q2 2002	Q2 2001	Q1-Q2 2002	Q1-Q2 2001
Video	66,844	74,756	53,562	141,600	105,981
Print	71,184	74,044	75,326	145,228	156,147
Scan	3,574	3,425	7,904	6,999	16,115
Store	8,321	6,129	12,316	14,450	26,446
Access	848	3,087	677	3,935	1,739
Other	13,266	9,209	18,705	22,475	25,643
TOTAL	164,037	170,650	168,490	334,687	332,071

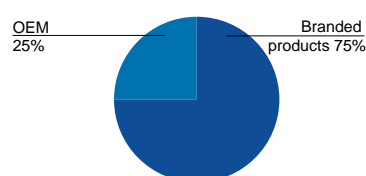
INVOICED SALES BY PRODUCT GROUP
Q2, 2002



The Video product area continued to show strong growth, with an increase of 40% from Q2 2001.

Invoiced sales by region excl. Netch (SEK 000s) ²⁾	Q1 2002	Q2 2002	Q2 2001	Q1-Q2 2002	Q1-Q2 2001
EMEA	76,790	78,033	87,000	154,823	158,553
Americas	44,926	46,971	44,748	91,897	89,327
Asia	42,321	45,646	36,742	87,967	84,191
TOTAL	164,037	170,650	168,490	334,687	332,071

SALES BRANDED PRODUCTS/OEM
Q2, 2002



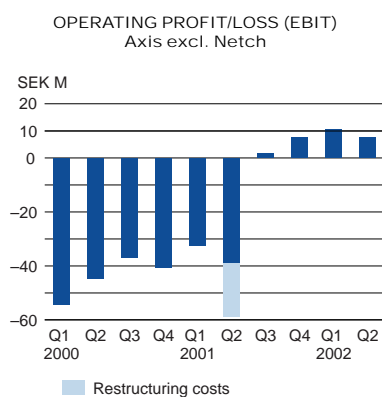
OEM sales accounted for 25% of total sales during the quarter.

Income statement in brief excl. Netch (SEK 000s) ²⁾	Q1 2002	Q2 2002	Q2 2001	Q1-Q2 2002	Q1-Q2 2001
Net sales	164,037	170,650	168,490	334,687	332,071
Gross profit	96,236	96,601	89,127	192,837	164,102
Gross margin	58.7%	56.6%	52.9%	57.6%	49.4%
Operating profit/loss	10,652	7,590	-59,414	18,242	-91,763
Operating margin	6.5%	4.4%	-35.3%	5.5%	-27.6%
Profit/loss after financial items	13,659	9,265	-67,969	22,924	-96,702

¹⁾ At the end of 2001, Axis replaced the previous division organization with a functional organization in which sales are reported by product group starting with the first quarter of 2002. The tables show pro forma sales figures for 2001.

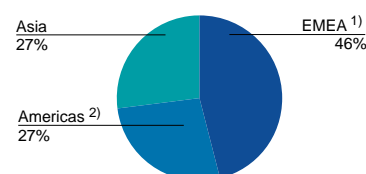
²⁾ Netch, which was previously reported in the EMEA region, is not included in the Group as of Q3, 2001.

Quarterly data for 2001 and 2002, see last page in this report.



The operating profit reported in the third quarter of 2001 marked the achievement of a strategically important goal.

INVOICED SALES BY REGION
Q2, 2002



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

The geographic regions have had a relatively similar development during the period.

Income statement

(SEK 000s)	Q2 2002	Q2 2001	Q1-Q2 2002	Q1-Q2 2001	Full year 2001	12 mos July 01- June 02
Net sales	170,650	176,641	334,687	352,550	696,333	678,470
of which Netch	—	8,151	—	20,479	20,479	—
Cost of goods and services sold	-74,049	-89,583	-141,850	-190,484	-340,754	-292,120
Gross profit	96,601	87,058	192,837	162,066	355,579	386,350
of which Netch	—	-2,069	—	-5,903	-5,903	—
Sales costs	-45,250	-66,067	-86,855	-122,798	-212,011	-176,068
Administrative costs	-15,281	-18,064	-30,218	-37,397	-66,262	-59,083
Research and development costs	-31,166	-49,797	-62,587	-88,047	-151,052	-125,592
Items affecting comparability	—	-2,296	—	-33,296	-33,296	—
Other operating income	2,686	—	5,065	—	—	5,065
Other operating expenses	—	-484	—	-2,970	-6,922	-3,952
Participation in associated companies before tax	—	40	—	158	158	—
Operating profit/loss	7,590	-49,610	18,242	-122,284	-113,806	26,720
of which Netch	—	9,804	—	-30,521	-30,521	—
Net financial items	1,675	-9,116	4,682	-6,109	-35,687	-24,896
Profit/loss after financial items	9,265	-58,726	22,924	-128,393	-149,493	1,824
of which Netch	—	9,243	—	-31,691	-31,691	—
Tax on profit/loss for the period	-5,509	22,558	-7,262	22,990	48,445	18,193
Minority share in result for the period	—	-4,850	—	10,941	10,941	—
Profit/loss for the period	3,756	-41,018	15,662	-94,462	-90,107	20,017
Earnings per share before dilution (SEK)	0.05	-0.60	0.23	-1.37	-1.31	0.29
Earnings per share after dilution (SEK)	0.05	-0.60	0.23	-1.37	-1.31	0.29
Number of shares before dilution, average (000s)	68,900	68,900	68,900	68,900	68,900	68,900
Number of shares after dilution, average (000s)	68,959	68,900	68,959	68,900	68,900	68,959

Cash flow analysis

(SEK 000s)	Q2 2002	Q2 2001	Q1-Q2 2002	Q1-Q2 2001	Full year 2001	12 mos July 01- June 02
Cash flow from ongoing operations before change in operating capital	7,845	-48,853	18,249	-90,152	-80,502	27,899
Change in operating capital	-4,129	22,196	-9,090	45,678	54,922	154
Cash flow from ongoing operations	3,716	-26,657	9,159	-44,474	-25,580	28,053
Cash flow from investment operations	-3,889	-2,401	-5,546	-17,641	-12,460	-365
Cash flow from financing operations	-49,075	-5,122	-49,075	30,654	22,820	-56,909
Cash flow for the period	-49,248	-34,180	-45,462	-31,461	-15,220	-29,221
Liquid funds on the opening date	184,559	198,712	180,773	195,993	195,993	164,532
Liquid funds on the closing date	135,311	164,532	135,311	164,532	180,773	135,311

Income statement pro forma

During the second quarter of 2001, Axis completed a restructuring that included the sale of its 59 percent holding in Netch Technologies. In order to show the development of the restructured Axis Group, the table below shows a pro forma income statement in which Netch is excluded. Quarterly data for 2001 and 2002, see last page in this report.

(SEK 000s)	Q1 2002	Q2 2002	Q2 2001	Q1-Q2 2002	Q1-Q2 2001	Full year 2001	12 mos July 01- June 02
Net sales	164,037	170,650	168,490	334,687	332,071	675,854	678,470
Cost of goods and services sold	-67,801	-74,049	-79,363	-141,850	-164,102	-314,372	-292,120
Gross profit	96,236	96,601	89,127	192,837	167,969	361,482	386,350
Sales costs	-41,605	-45,250	-61,302	-86,855	-114,719	-203,932	-176,068
Administrative costs	-14,937	-15,281	-16,662	-30,218	-33,700	-62,565	-59,083
Research and development costs	-31,421	-31,166	-49,797	-62,587	-88,047	-151,052	-125,592
Items affecting comparability	—	—	-20,296	—	-20,296	-20,296	—
Other operating income	2,379	2,686	—	5,065	—	—	5,065
Other operating expenses	—	—	-484	—	-2,970	-6,922	-3,952
Operating profit/loss	10,652	7,590	-59,414	18,242	-91,763	-83,285	26,720
Net financial items	3,007	1,675	-8,555	4,682	-4,939	-34,517	-24,896
Profit/loss after financial items	13,659	9,265	-67,969	22,924	-96,702	-117,802	1,824

Balance sheet

(SEK 000s)	June 30 2002	June 30 2001	Dec. 31 2001
Fixed assets	129,936	167,907	136,611
Inventories	49,607	51,520	46,628
Receivables from customers	80,563	109,533	106,339
Other receivables	36,265	28,591	18,828
Liquid funds	135,311	164,532	180,773
Total	431,682	522,083	489,179
Shareholders' equity	290,844	267,637	273,014
Provisions	9,537	30,074	16,125
Interest-bearing long-term liabilities	—	61,017	50,000
Non-interest-bearing current liabilities	131,301	163,355	150,040
Total	431,682	522,083	489,179

Key ratios

	Q2 2002	Q2 2001	Q1–Q2 2002	Q1–Q2 2001	Full year 2001
Net sales growth (%)	1.3 ¹⁾	4.4	0.8 ¹⁾	10.3	–1.6
Gross margin (%)	56.6	49.3	57.6	46.0	51.1
Operating margin (%)	4.4	–28.1	5.5	–34.7	–16.3
Profit margin (%)	5.4	–33.2	6.8	–36.4	–21.5
Depreciation (SEK M)	14	24	15	22	19
Shareholders' equity (SEK M)	291	268	291	268	273
Capital employed (SEK M)	292	347	292	347	339
Interest-bearing liabilities (SEK M)	—	61	—	61	50
Net interest-bearing liabilities (SEK M)	–135	–104	–135	–104	–131
Total assets (SEK M)	432	522	432	522	489
Return on capital employed (%) ²⁾	12.1	–45.0	15.1	–60.4	–26.8
Return on total capital (%) ²⁾	8.2	–33.0	10.1	–41.7	–19.1
Return on shareholders' equity (%) ²⁾	9.6	–64.9	11.8	–79.3	–45.8
Interest coverage ratio (multiple)	22.4	–4.7	20.8	–14.1	–2.4
Net debt/equity ratio (multiple)	—	–0.4	—	–0.4	–0.5
Equity/assets ratio (%)	67.4	51.3	67.4	51.3	55.8
Proportion of risk-bearing capital (%)	69.2	53.5	69.2	53.5	57.4
Capital turnover rate (multiple) ²⁾	2.1	1.6	2.1	1.8	1.8
Number of employees (average for the period)	332	492	329	527	439
Sales per employee (SEK M) ²⁾	2.1	1.4	2.0	1.3	1.6
Operating result per employee (SEK M) ²⁾	0.1	–0.4	0.1	–0.5	–0.3

¹⁾ Compared pro forma excl. Netch.

²⁾ Net sales and profit amounts have been translated to 12 months.

Per-share data

	June 30 2002	June 30 2001	Dec. 31 2001
Share price on closing date	17.60	11.20	25.00
Dividend	—	—	—
P/E ratio	81	—	—
Number of shares outstanding (000s)	68,900	68,900	68,900

Quarterly data pro forma

During the second quarter of 2001, Axis completed a restructuring that included the sale of its 59 percent holding in Netch Technologies. In order to show the development of the restructured Axis Group, the table below shows a pro forma income statement in which Netch is excluded.

Invoiced sales by product group excl. Netch (SEK 000s) ^{1) 2)}	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002
Video	52,419	53,562	58,671	73,670	66,844	74,756
Print	80,821	75,326	70,562	81,828	71,184	74,044
Scan	8,211	7,904	5,781	3,281	3,574	3,425
Store	14,130	12,316	10,478	13,720	8,321	6,129
Access	1,062	677	1,273	2,146	848	3,087
Other	6,938	18,705	7,923	14,450	13,266	9,209
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650

Invoiced sales by region excl. Netch (SEK 000s) ²⁾	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002
EMEA ²⁾	71,553	87,000	66,359	85,494	76,790	78,033
Americas	44,579	44,748	51,873	68,576	44,926	46,971
Asia	47,449	36,742	36,456	35,025	42,321	45,646
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650

Income statement (SEK 000s) ²⁾	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002
Net sales	163,581	168,490	154,688	189,095	164,037	170,650
Cost of goods and services sold	-84,739	-79,363	-69,021	-81,249	-67,801	-74,049
Gross profit	78,842	89,127	85,667	107,846	96,236	96,601
Sales costs	-53,417	-61,302	-39,343	-49,870	-41,605	-45,250
Administrative costs	-17,038	-16,662	-13,342	-15,523	-14,937	-15,281
Research and development costs	-38,250	-49,797	-30,812	-32,193	-31,421	-31,166
Items affecting comparability	-	-20,296	-	-	-	-
Other operating income	-	-	-	-	2,379	2,686
Other operating expenses	-2,486	-484	-1,455	-2,497	-	-
Operating profit/loss	-32,349	-59,414	715	7,763	10,652	7,590
Net financial items	3,616	8,555	548	-30,126	3,007	1,675
Profit/loss for the period	-28,733	-50,859	1,263	-22,363	13,659	9,265

¹⁾ At the end of 2001, Axis replaced the previous division organization with a functional organization in which sales are reported by product group starting with the first quarter of 2002. The tables show pro forma sales figures for 2001.

²⁾ Netch, which was previously reported in the EMEA region, is not included in the Group as of Q3, 2001.

This six-month report has been reviewed in accordance with the recommendations issued by the FAR. A review is considerably limited in scope compared with an audit. There is nothing to indicate that this six-month report does not comply with the requirements of the Securities and Clearing Operations Act and the Accounts Act.

Lund, July 19, 2002

Öhrlings PricewaterhouseCoopers AB

Anders Lundin, Authorized Public Accountant Dan Andersson, Authorized Public Accountant

Future financial reports

Interim report January–September 2002 October 18, 2002

Year-end financial statement February 12, 2003

The Annual Report for 2002 is available on Axis Web site, www.axis.com/corporate/investor/

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