

Year-end report January—December 2003

Video growth despite negative currency effects

- Net sales for the period amounted to SEK 624 M (670).
- Operating profit totaled SEK 1 M (40).
- Profit before tax amounted to SEK 8 M (51).
- The result after tax was a loss of SEK 3 M (profit: 36).
- Earnings per share were negative in the amount of SEK 0.04 (positive: 0.52).
- Continued Video sales growth: 18 percent.

About Axis. *Axis increases the value of network solutions. The company is an innovative market leader in network video and print servers. Axis' products and solutions are focused on applications such as security surveillance, remote monitoring and document management. The products are based on in-house developed chip technology, which is also sold to third parties. Axis was founded in 1984 and is listed on the Stockholmsbörsen (XSSE:AXIS). Axis operates globally with offices in 14 countries and in cooperation with distributors, system integrators and OEM partners in 70 countries. Markets outside Sweden account for more than 95 % of sales. Information about Axis can be found at www.axis.com*

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Sales

Axis' net sales for the full-year 2003 amounted to SEK 624 M (670), a decline of 7% compared with the preceding year. The sales trend was overshadowed by a sharp weakness in the U.S. dollar exchange rate and a restrained IT market. The currency effects, in total, negatively affected sales by SEK 71 M, of which SEK 14 M was attributable to the fourth quarter.

The highly favorable trend for Axis' largest product area, Video, continued. Despite the negative currency effects, network video solutions showed a sales growth of 18% for the full year. The growth, measured in local currencies, was more than 30% in both EMEA and the U.S. The trend further strengthens the anticipation of a continued significant potential within the product area.

All geographic regions showed weak growth, and the expected recovery in several important markets failed to materialize during the period, despite several positive signals. The restrained development had particularly affected Axis' more economically sensitive print server product area, where sales during 2003 declined by 21%.

Sales during the fourth quarter amounted to SEK 163 M (168). Sixty-four percent of the sales came from Video, an area that showed a growth of 22% compared with the year-earlier period. The sales trend for Print has, similar to earlier quarters, been negative.

During the entire period, the weak IT market affected the number of customer-specific development projects and OEM sales, which declined compared with the preceding year. OEM accounted for 18.5% of the year's total sales.

Operating profit

The Group's operating profit amounted to SEK 1 M (40). The operating margin was 0.2% (5.9), and profit after financial items amounted to SEK 8 M (51). The result after tax amounted to a loss of SEK 3 M (profit: 36). Currency effects had a negative impact of SEK 1 M on operating profit for the period.

Axis achieved its goal of reporting a positive operating profit for the full year. Both operating

profit and margins were down, however, compared with the preceding year. The gross margin, which amounted to 51.6% (57.3) for the full year, was affected by lower revenues from customer-specific development work and, to some extent, a decline in prices on certain products and markets.

Operating profit for the fourth quarter amounted to SEK 4 M (10), an improvement of SEK 3 M compared with the preceding quarter. The gross margin was 48.9% (57.5).

To offset the continued weak investment climate in the IT market and secure a long-term stable and positive development for Axis, a number of cost-savings measures were implemented during the year. These included personnel cutbacks in the Swedish organization during the fourth quarter. The savings effect of these measures amounts to approximately SEK 15 M annually, and takes full effect from January 2004.

Cash flow and financial position

Cash flow from operating activities amounted to a negative SEK 2 M. Net investments totaled SEK 28 M. In accordance with the Swedish Financial Accounting Standards Council's recommendation RR15 applied by Axis, development costs amounting to SEK 15 M were capitalized during the year. Axis had SEK 103 M in liquid funds and unutilized credit facilities totaling SEK 80 M, resulting in total available cash funds of SEK 183 M as per December 31, 2003.

Shareholders' equity

The Group's shareholders' equity amounts to SEK 300 M. Of the decline in the amount of SEK 13 M during the year, SEK 3 M was attributable to earnings for the year and SEK 10 M to dividend payments to shareholders. The total number of shares on the closing date was 68,900,000. After full exercise of all outstanding warrants, the number of shares totals 71,421,300. The Group's equity/assets ratio at December 31, 2003 was 69%.

Significant events during the year

Several factors during 2003 confirmed a clear breakthrough for the technology shift from analog to network-based surveillance solutions. In parallel

with a steadily growing interest in security and surveillance, increased activity was noted in all customer segments, resulting in several substantial orders.

Several global IT players including IBM, Cisco and Ingram Micro announced plans during the year to intensify their investments in IP-based video solutions. Further evidence of the technology shift was reflected in the growing competition during the year. Most of the large traditional analog CCTV players* have one or several network-based products in their portfolios today.

To further strengthen Axis' position in this fast-growing market, the company has actively pursued its aggressive investments in technology and product development. These efforts have resulted in several successful product launches, including the completion of the ARTPEC-2 technical platform for the new generation of network video products that will be introduced gradually during 2004.

New products introduced during the year included AXIS 205, the world's smallest network camera, which was launched during the third quarter and has already achieved significant sales success and AXIS 230, the most advanced camera ever developed by the company.

The development of Axis sales channels was also prioritized, leading to a large number of new reseller and system integrator partners in both the IT and security segments. New strategic distribution contracts were also signed, including an agreement with Anixter in both Europe and the U.S.

In December, Axis strengthened its focus on software applications through the acquisition of Attento. The acquisition is an important strategic step in ensuring that Axis products remain as competitive components even in complete system solutions. The initiative also creates improved potential to provide development partners within the ADP program** with components that further simplify the integration with Axis products.

Future outlook

Axis' overall goal is to strengthen its position as the market leader in network video solutions. The company also plans to defend its position as the

second largest player in the market for print servers. Print, which is a much more mature product area than Video, lacks, however, the corresponding growth potential, and may be further impacted should the restrained investment climate in the IT market continue.

Axis continues to have a positive view of the long-term development even if the economic conditions remain difficult to forecast. The strategic direction remains unchanged, with a continued priority on the fast-growing Video area. A renewal of the Video product portfolio will be initiated during the first quarter of 2004. Together with a strong market position, this creates good conditions for reaching profitable growth during 2004.

Accounting principles

The year-end report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim Reports. The accounting principles and methods of calculation are the same as those applied in the most recent Annual Report, with the addition of the recommendations issued by the Swedish Financial Accounting Standards Council that became effective on January 1, 2003.

The company's segment comprises one operating sector.

Parent Company

The Parent Company's operations are focused primarily on Group-wide administration. The Parent Company has no employees. The operating result amounted to a loss of SEK 3 M (negative: 3). Liquid funds on the group's account amounted to a deficit of SEK 38 M and total borrowing amounted to SEK 0.

Annual General Meeting

The Annual General Meeting will be held at 5 p.m. on May 13, 2004 at Edison Park, Emdalavägen 14, in Lund, Sweden. The Board of Directors proposes that no dividend be paid for the fiscal year 2003.

Lund, February 12, 2004

The Board of Directors

* CCTV, Closed Circuit Television, a designation for analog surveillance systems.

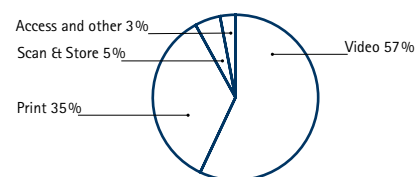
** ADP, Application Development Partner program.

Invoiced sales by product group (SEK 000s)	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q4 2002	Q1-Q4 2003	Q1-Q4 2002
Video	78,849	84,522	88,040	104,817	85,730	356,228	301,476
Print	60,796	57,795	54,063	46,932	60,152	219,586	277,934
Scan	3,042	2,047	2,232	3,033	3,379	10,354	13,082
Store	5,512	3,415	5,154	4,285	7,829	18,366	32,104
Access	338	573	850	292	1,059	2,053	5,795
Other	4,014	4,536	4,424	4,076	9,889	17,050	39,886
TOTAL	152,551	152,888	154,763	163,435	168,038	623,637	670,277

Invoiced sales by region (SEK 000s)	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q4 2002	Q1-Q4 2003	Q1-Q4 2002
EMEA	72,859	75,577	74,378	85,525	90,925	308,339	315,903
Americas	42,137	41,198	45,592	43,478	39,229	172,405	180,180
Asia	37,555	36,113	34,793	34,432	37,884	142,893	174,194
TOTAL	152,551	152,888	154,763	163,435	168,038	623,637	670,277

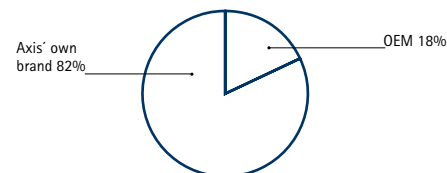
Income statement in brief (SEK 000s)	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q4 2002	Q1-Q4 2003	Q1-Q4 2002
Net sales	152,551	152,888	154,763	163,435	168,038	623,637	670,277
Gross profit	81,949	80,783	79,068	79,930	96,597	321,731	384,007
Gross margin	53.7%	52.8%	51.1%	48.9%	57.5%	51.6%	57.3%
Operating profit/loss	555	-4,290	813	4,064	9,641	1,142	39,658
Operating margin	0.4%	-2.8%	0.5%	2.5%	5.7%	0.2%	5.9%
Profit/loss after financial items	2,656	-657	458	5,867	12,339	8,324	51,439

INVOICED SALES BY PRODUCT GROUP 2003



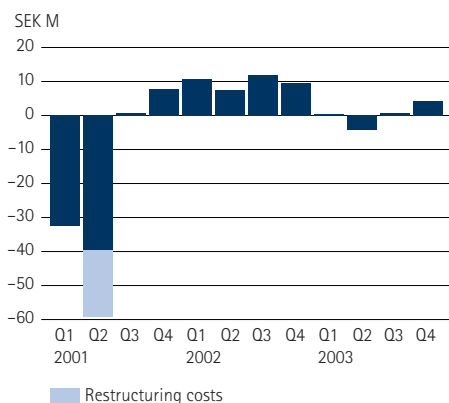
Video is Axis' largest product area, and demand for network cameras and video servers continues to increase.

SALES BRANDED PRODUCTS/OEM 2003



OEM sales accounted for 18% (24) of total sales for the year.

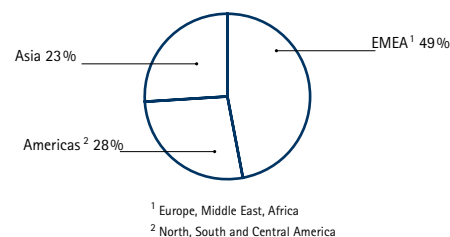
OPERATING PROFIT/LOSS (EBIT) Axis excl. Netch*



* Axis implemented a restructuring during the first quarter of 2001, whereby its 59% share in Netch Technologies was sold. Information in the tables for Q1 and Q2 2001 shows pro forma data for comparable units, i.e. excluding Netch. Netch, which was previously reported in the region EMEA, is not included in the Group as of Q3 2001.

Operating profit for the fourth quarter improved by SEK 3 M, compared with the preceding quarter.

INVOICED SALES BY REGION 2003



Income statement

(SEK 000s)	Q4 2003	Q4 2002	Q1-Q4 2003	Q1-Q4 2002
Net sales	163,435	168,038	623,637	670,277
Cost of goods and services sold	-83,505	-71,441	-301,906	-286,270
Gross profit	79,930	96,597	321,731	384,007
Sale costs	-40,432	-46,786	-165,062	-177,522
Administrative costs	-9,307	-13,367	-44,766	-56,334
Research and development costs	-25,236	-28,206	-111,982	-117,847
Other operating income and expenses	-890	1,403	1,221	7,354
Operating profit	4,065	9,641	1,142	39,658
Net financial items	1,802	2,698	7,183	11,778
Profit after financial items	5,867	12,339	8,324	51,436
Tax	-11,373	-7,469	-10,900	-15,581
Profit for the period	-5,506	4,870	-2,576	35,855
Earnings per share before dilution (SEK)	-0.08	0.07	-0.04	0.52
Earnings per share after dilution (SEK)	-0.08	0.07	-0.04	0.52
Number of shares before dilution, average (000s)	68,900	68,900	68,900	68,900
Number of shares after dilution, average (000s)	68,900	68,985	68,900	68,985

Cash flow statement

(SEK 000s)	Q4 2003	Q4 2002	Q1-Q4 2003	Q1-Q4 2002
Cash flow from ongoing operations before change in working capital	14,949	10,146	15,279	45,819
Change in working capital	7,937	-11,463	-17,119	-39,006
Cash flow from ongoing operations	22,886	-1,317	-1,840	6,813
Cash flow from investment operations	-13,905	-9,566	-28,462	-15,404
Cash flow from financing operations	4,763	6,849	3,324	-42,226
Cash flow for the period	13,744	-4,034	-26,978	-50,817
Liquid funds on the opening date	89,234	133,990	129,956	180,773
Liquid funds on the closing date	102,978	129,956	102,978	129,956

Balance sheet

(SEK 000s)	2003-12-31	2002-12-31
Fixed assets	131,785	122,434
Inventories	67,074	57,994
Receivables from customers	94,078	88,385
Other, receivables	37,656	31,714
Liquid funds	102,978	129,956
Total	433,571	430,483
Shareholders' equity	300,324	312,532
Provisions	7,081	3,826
Long-term receivables	10,200	-
Current receivables	115,966	114,125
Total	433,571	430,483

Key ratios

	Q4 2003	Q4 2002	Q1-Q4 2003	Q1-Q4 2002
Net sales growth (%)	-2.7	-11.1 ¹	-7.0	-0.8 ¹
Gross margin (%)	48.9	57.5	51.6	57.3
Operating margin (%)	2.5	5.7	0.2	5.9
Profit margin (%)	3.6	7.3	1.3	7.7
Depreciation (SEK M)	9	12	9	14
Shareholders' equity (SEK M)	300	313	300	313
Capital employed (SEK M)	315	311	315	311
Interest-bearing liabilities (SEK M)	10	-	10	-
Net interest-bearing liabilities (SEK M)	-93	-130	-93	-130
Total assets (SEK M)	434	430	434	430
Return on capital employed (%)	8.0	16.3	2.9	16.5
Return on total capital (%)	5.8	11.5	2.1	11.7
Return on shareholders' equity (%)	5.5	12.1	2.0	12.6
Interest coverage ratio (multiple)	15.1	15.1	13.8	24.0
Net debt/equity ratio (multiple)	-0.3	-0.4	-0.3	-0.4
Equity/assets ratio (%)	69.3	72.8	69.3	72.8
Proportion of risk-bearing capital (%)	69.9	73.9	69.9	73.9
Capital turnover rate (multiple)	2.1	2.1	2.0	2.1
Number of employees (average for the period)	351	340	356	334
Sales per employee (SEK M)	1.9	2.0	1.8	2.0
Operating result per employee (SEK M)	0.0	0.1	0.0	0.1

¹ Compared pro forma excl. Netch.

Per-share data

	Dec 31, 2003	Dec 31, 2002
Share price on closing date (SEK)	17.00	18.40
Proposed dividend (SEK)	0.15	-
P/E ratio	neg	35
Earnings per share before dilution (SEK)	-0.04	0.52
Earnings per share after dilution (SEK)	-0.04	0.52
Number of shares before dilution, average (000s)	68,900	68,900
Number of shares before after, average (000s)	68,900	68,985
Number of shares outstanding (000s)	68,900	68,900

Pro forma

Invoiced sales by product group excl. Netch (SEK 000s) ^{1,2}	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Video	52,419	53,562	58,671	73,670	66,844	74,756	74,146	85,730	78,849	84,522	88,040	104,817
Print	80,821	75,326	70,562	81,828	71,184	74,044	72,554	60,152	60,796	57,795	54,063	46,932
Scan	8,211	7,904	5,781	3,281	3,574	3,425	2,704	3,379	3,042	2,047	2,232	3,033
Store	14,130	12,316	10,478	13,720	8,321	6,129	9,825	7,829	5,512	3,415	5,154	4,285
Access	1,062	677	1,273	2,146	848	3,087	801	1,059	338	573	850	292
Other	6,938	18,705	7,923	14,450	13,266	9,209	7,522	9,889	4,014	4,536	4,424	4,076
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650	167,552	168,038	152,551	152,888	154,763	163,435
Invoiced sales by region excl. Netch (SEK 000s)	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003
EMEA	71,553	87,000	66,359	85,494	76,790	78,033	70,155	90,925	72,859	75,577	74,378	85,525
Americas	44,579	44,748	51,873	68,576	44,926	46,971	49,054	39,229	42,137	41,198	45,592	43,478
Asia	47,449	36,742	36,456	35,025	42,321	45,646	48,343	37,884	37,555	36,113	34,793	34,432
TOTAL	163,581	168,490	154,688	189,095	164,037	170,650	167,552	168,038	152,551	152,888	154,763	163,435
Income statement pro forma (SEK 000s)	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003	Q2 2003	Q3 2003	Q4 2003
Net sales	163,581	168,490	154,688	189,095	164,037	170,650	167,552	168,038	152,551	152,888	154,763	163,435
Cost of goods and services sold	-84,739	-79,363	-69,021	-81,249	-67,801	-74,049	-72,979	-71,441	-70,602	-72,105	-75,694	-83,505
Gross profit	78,842	89,127	85,668	107,846	96,236	96,601	94,573	96,597	81,949	80,783	79,068	79,930
Sales costs	-53,417	-61,302	-39,343	-49,870	-41,605	-45,250	-43,881	-46,786	-42,119	-42,351	-40,158	-40,432
Administrative costs	-17,038	-16,662	-13,342	-15,523	-14,937	-15,281	-12,749	-13,367	-11,412	-10,858	-13,189	-9,307
Research and development costs	-38,250	-49,797	-30,812	-32,193	-31,421	-31,166	-27,054	-28,206	-29,927	-31,138	-25,680	-25,236
Items affecting comparability	-	-20,296	-	-	-	-	-	-	-	-	-	-
Other operating income	-	-	-	-	2,379	2,686	886	1,403	2,064	-	773	-890
Other operating expenses	-2,486	-484	-1,455	-2,497	-	-	-	-	-	-726	-	-
Operating profit/loss	-32,349	-59,414	715	7,763	10,652	7,590	11,775	9,641	555	-4,290	813	4,065
Net financial items	3,616	-8,555	548	-30,126	3,007	1,675	4,398	2,698	2,101	3,633	-355	1,802
Profit/loss for the period	-28,733	-67,969	1,263	-22,363	13,659	9,265	16,173	12,339	2,656	-657	458	5,867

¹ At the end of 2001, Axis replaced the previous divisional organization with a functional organization in which sales are reported by product group starting with Q1 2002. The tables show pro forma sales figures for 2001.

² Axis implemented a restructuring during the first quarter of 2001, whereby its 59% share in Netch Technologies was sold. Information in the tables for Q1 and Q2 2001 shows pro forma data for comparable units, i.e. excluding Netch. Netch, which was previously reported in the region EMEA, is not included in the Group as of Q3 2001.

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

Lund, February 12, 2004

Öhrlings PricewaterhouseCoopers AB

Anders Lundin, Authorized Public Accountant
Senior Auditor

Dan Andersson, Authorized Public Accountant

Future financial reports

Three-month interim report, Jan–Mar April 15, 2004

Six-month interim report, Jan–Jun July 9, 2004

Nine-month interim report, Jan–Sep October 15, 2004

The Annual Report for 2003 will be published in March

2004 on Axis Web site at:

www.axis.com/corporate/investor/financial_reports.htm

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