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Dear Fellow Stockholders:

By almost any metric, your company did well in 2002 compared to its competitors and the market at large.

We produced a solid 8 cents a share profit, or almost \$2 million in net income. Under poor market conditions, we held our own in revenue. We generated over \$3 million cash from operations and reduced our debt to \$2.3 million.

We continued to make progress, selling both our Foundation products and the newer products introduced over the past two years. Today, over 70 companies have evaluated options to automate their Supply Chain and have chosen AXS-One over the competition. In fact during 2002, about 78 percent of our license revenue came from these new products.

The cover of our 2002 Annual Report illustrates the major thrusts of the company today.

The Clapsed Hands represent Collaboration across an Enterprise's Financial Value Chain, so critical to the success of a modern 21<sup>st</sup> Century corporation. Companies can no longer solely automate internal processes; they must expand beyond the four walls of their Enterprise and reach out to their clients, suppliers and business partners. Our strategy is to be a major supplier of systems that automate this so called *Financial Value Chain* and be a major force in this market with our unique approach to process automation.

The Pie Charts represent the focus on Corporate Performance Management and Compliance, an area in which we have operated for more than a decade. However, today Corporate Performance Management goes well beyond the traditional reporting that we have made available to our clients. Today this area has become critical to corporations as they seek to understand more fully, almost in "real time," how they are doing against their business plans and budgets. More recently this area has taken on increased significance with a new dimension added to it by the passage of the Sarbanes-Oxley Act. This act requires corporations to implement new and proactive governance processes to ensure that management is fully aware of what is actually happening within the corporation. Additional regulations passed by the SEC now require financial companies to archive business records of many additional types of business documents, including for the first time, e-mail and instant messages. Your company is well placed to take advantage of these new opportunities and has re-aligned and reallocated resources to pursue them.

The Currency Symbols represent the strength of your company's products in a multi-national, multi-currency environment and our continued commitment to provide "Best of Breed" functionality to global corporations. The symbols also represent our commitment to provide the best value for money to our clients as we assist them in their efforts to increase the efficiency of their uses of cash.

The Globe with the AXS-One logo superimposed represents the global presence of your company and our commitment to meet the needs of the local markets where we compete.

Finally and most important, the Animated Characters represent People. They represent our commitment to provide systems that fulfill the promise of technology to make the workplace more efficient — to make people more effective. To make companies more responsive to the needs of their customers. The symbols also represent our commitment to provide a supportive and positive working environment to our own employees as they provide services to our customers.

To sum it all up, in 2003, we turn 25 years old. We have the energy and new products of a start-up. We have the stability and customer relations of an organization with a long-term track record of providing value to the global 2000. We are progressing quite nicely developing this new company on the foundation built over the preceding 24 years. Today we provide new products and services to existing clients as well as competing very well for new clients.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John A. Rade". The signature is fluid and cursive, with a large initial "J" and "R".

John A. Rade  
Chief Executive Officer and President  
AXS-One Inc.

*This letter contains forward-looking statements. Such statements are only predictions and actual events or results may differ materially. All forward-looking statements involve risks and uncertainties, including, without limitation, the risks detailed in the company's documents and reports filed from time to time with the Securities and Exchange Commission.*