

Interim report, January–March 2007

## Focused strategy resulted in continued pace of sales

- *Net sales during the period totaled SEK 338 M (257).*
- *Operating profit during the period amounted to 67 M (38).*
- *Pretax profit for the period totaled SEK 66 M (38).*
- *Profit after tax for the period totaled SEK 49 M (27).*
- *Earnings per share after tax for the period amounted to SEK 0.71 (0.39).*

*About Axis. Axis is an IT company offering network video solutions for professional installations. The company is the global market leader in network video, driving the ongoing shift from analog to digital video surveillance. Axis' products and solutions focus on security surveillance and remote monitoring, and are based on innovative, open technology platforms.*

*Axis is a Swedish-based company, operating worldwide with offices in 18 countries and cooperating with partners in more than 70 countries. Founded in 1984, Axis is listed on the Nordic List, Mid Cap and Information Technology exchanges. For more information about Axis, please visit our website at [www.axis.com](http://www.axis.com).*



## President's comments

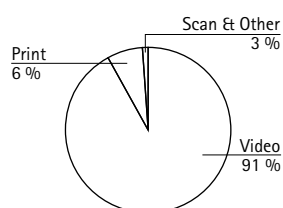
The strong sales trend for network video products continued during the first quarter of the year. Total sales rose to SEK 338 M, compared with SEK 257 M in the year-earlier period. Growth for the Group was 32 percent in the first quarter and Video growth amounted to 41 percent.

High activity prevails on the market and a continuing increased interest for network video products. Axis' focus on partner co-operation and training of the market is driving the convergence from analog to digital surveillance. Recruiting is proceeding at a high pace throughout the organization, with focus on research and development and the sales organization.

Ray Mauritsson,  
President

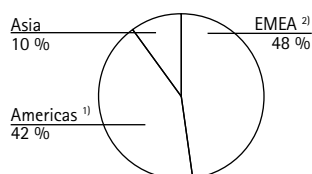
## Sales

### Invoiced sales per product group, Q1 2007



Product area Video represents 91 % of Axis' sales.

### Invoiced sales per region, Q1 2007



<sup>1)</sup> Incl North, South and Central America

<sup>2)</sup> Incl Europe, the Middle East and Africa

EMEA is the largest region, followed by Americas and Asia.

Net sales during January–March amounted to SEK 338 M (257), up 32 percent compared with the corresponding period in the preceding year. Exchange rate differences had a negative impact on sales of SEK 26 M.

The strong development of Axis' Video product area continues. Sales in the product area during the first quarter totaled SEK 309 M (220), corresponding to sales growth of 41 percent compared with the year-earlier period. Video products now account for 91 percent of Axis' total sales. Print accounted for 6 percent of total sales and Scan and Other for 3 percent.

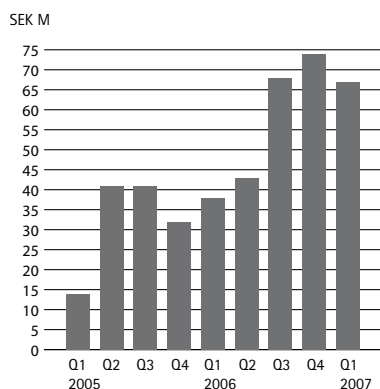
Sales in the EMEA region amounted to SEK 161 M (116), corresponding to growth of 39 percent. The Americas region posted sales of 142 M (109), up 31 percent and the Asia region reported sales of SEK 35 M (33), growth of 7 percent.

Invoiced sales per product group, SEK 000s	Q1 2007	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Video	309 160	219 598	249 253	268 667	324 092
Print	18 734	27 856	24 192	20 939	22 326
Scan	4 599	4 113	6 230	6 946	9 711
Other	5 672	5 514	3 397	4 767	4 890
TOTAL	338 165	257 081	283 072	301 319	361 019

Invoiced sales per region, SEK 000s	Q1 2007	Q1 2006	Q2 2006	Q3 2006	Q4 2006
EMEA	161 332	115 880	134 447	139 505	191 580
Americas	141 869	108 590	117 246	129 422	129 944
Asia	34 964	32 611	31 379	32 392	39 495
TOTAL	338 165	257 081	283 072	301 319	361 019

## Operating profit

### Operating profit / EBIT



## Cash flow and financial position

## Shareholders' equity

## Significant events in the first quarter

The Group's operating profit increased to SEK 67 M (38), corresponding to an operating margin of 19.7 percent (14.8) for the first quarter. Gross margin remained stable and amounted to 55.1 percent (53.8). Pretax profit rose to SEK 66 M (38) and profit after tax to SEK 49 M (27). Currency effects had no significant impact on operating profit.

Condensed income statement, SEK 000s	Q1 2007	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Net sales	338 165	257 081	283 072	301 319	361 019
Gross profit	186 163	138 222	154 573	166 772	199 441
<i>Gross margin</i>	55.1 %	53.8 %	54.6 %	55.3 %	55.2 %
Operating profit	66 595	38 000	43 297	68 332	73 527
<i>Operating margin</i>	19.7 %	14.8 %	15.3 %	22.7 %	20.4 %
Pretax profit	66 364	37 898	43 106	68 060	73 342

Cash flow from current operations during the period amounted to SEK 30 M. Net investments amounted to SEK 8 M. Capitalized development costs totaled SEK 7 M during the period. Axis has SEK 336 M cash and cash equivalents and unutilized credit facilities of SEK 60 M. The company thus had a total of SEK 396 M at its disposal at March 31, 2007.

Consolidated shareholders' equity amounted to SEK 547 M. The total number of shares at the end of the period was 69,278,100. After full utilization of outstanding warrants, the number of shares will total 69,535,050. The Group's equity/assets ratio at March 31, 2007 was 69.0 percent.

(SEK 000s)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan. 1, 2007	692	271 686	17 445	211 246	501 069
Translation differences	-	-	-4 218	-	-4 218
Other adjustments	1	660	-	3	664
Dividend	-	-	-	-	-
Profit for the period	-	-	-	49 431	49 431
Closing balance at March 31, 2007	693	272 346	13 227	260 680	546 946

The technology shift from analog to digital solutions is proceeding at a steady pace. The transition benefits Axis as the global market leader in network video. Axis continued to expand and added some 30 new employees during the period within the entire organization, with focus on research and development and the sales organization.

### Successful partner cooperation

Partner cooperation is an important element in Axis' success and during the quarter IBM announced that the company offers Axis' network video products as part of IBM's digital video surveillance solution. Axis' network cameras and video servers are currently being used in a number of pilot projects that IBM has installed at company customers in many industries, including retailing.

### **Customer installations**

Many significant installations were carried out during the first quarter of Axis' network video products. Axis' network video products were installed in the Moscow subway system, with the aim of increasing safety for passengers and personnel. The initial installation comprises 1,000 network video products, with the potential for additional installations.

In addition, another surveillance solution in the Education customer segments was installed. Middletown City Schools in Orange County, New York installed about 260 Axis network cameras during the first quarter.

### **Focus on products**

Axis continued to launch innovative products on the market and the company currently has the broadest product portfolio on the market. In March, the AXIS 233D network camera was launched, whose exceptional features facilitate surveillance of an extensive area where specific objects can be zoomed in and monitored at a long distance. The product can be installed advantageously at sport arenas, casinos, airports and in ports.

The AXIS 247S is a compact video server equipped with technology that powers the analog camera. The AXIS 247S is simple to install and provides customers with existing analog installations the possibility to utilize the advantages of network technology.

### **Axis STS solution**

At the beginning of the year Axis announced cooperation with Labs2 and Tryggare.net regarding the service tryggare.net, a service for private persons in Sweden. The service involves Axis STS network cameras linked to broadband in, for example, summer cottages, at home or other locations. Images can be viewed on a computer or a mobile telephone.

SuperOnline, a Turkish telecom operator in the Turkcell Group, launched the BabyCam service during the period. The solution is based on Axis' Subscriber Technology System (ST System), a solution optimized to offer cost-efficient service to private customers.

### **Worldwide interest**

During the first quarter, Axis participated in some 20 trade fairs around the world. The company's products attracted attention and high interest at Intersec Middle East in Dubai, Dustin Expo in Sweden, Retail Business Show in the UK, Security and Safety Technologies in Russia, SAFE 2007 in India, Tech Sec Solutions and ISC West in the US, Security Show in Japan and Secura in Belgium, among other shows.

## *Outlook for 2007*

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Axis' overriding goal is to maintain and strengthen its position as the market-leading supplier of network-based video solutions for professional installations in an expanding market. According to market analysis institutes, this market will grow by 40 percent annually over the coming year. Moving into 2007, the company sees a market with favorable development potential for Axis but intensifying competition. To meet the competition, the focused strategy is retained and entails

- continuing to maintain an aggressive pace of product launches in the Video product area with a number of innovative products and solutions designed for professional installations
- increasing market presence through close cooperation with partners to optimize presence in the global market in a cost-efficient manner
- continuing to grow organically and attracting and recruiting skilled personnel on a global basis within specific areas.

## *The Axis share*

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The Axis share is listed on the Nordic List in the Mid-Cap segment in Information Technology. Average share trading during the period January 1 through March 31, 2006 totaled SEK 13.3 M/day. The average number of shares traded during the same period totaled 131,075 per day. The average share price for the period was SEK 102.53. The total number of shares in the company at the end of the period was 69,278,100.

## *Accounting principles*

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This interim report was prepared in accordance with the Annual Accounts Act IAS 34, Interim Financial Reporting. For information on the accounting principles applied, see the 2006 Annual Report. The accounting principles were unchanged, compared with those applied in 2006.

## *Parent Company*

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The Parent Company's operations focus primarily on Group-wide administration. The Parent Company has no employees. Operating profit totaled 0 (0). Cash and cash equivalents amounted to SEK 230 M (108) and borrowing was 0 (0).

## *Reporting dates*

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The interim report for the second quarter of 2007 (April 1, 2007–June 30, 2007) will be presented on July 9, 2007.

## *Annual General Meeting*

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The Annual General Meeting of Axis AB will be held at Edison Park, Lund, on Thursday April 18, 2006 at 5 p.m. The Board of Directors proposes a dividend of SEK 3.00 per share for the 2006 fiscal year, of which SEK 2.25 is an extraordinary dividend as a result of the company's strong financial position.

Lund, April 17, 2007

Ray Mauritsson  
President

## Income statement

(SEK 000s)	Q1 2007	Q1 2006	Full year 2006	Q2 06–Q1 07 12 months
Net sales	338 165	257 081	1 202 491	1 283 575
Cost of sold products and services	-152 002	-118 859	-543 484	-576 627
<b>Gross profit</b>	<b>186 163</b>	<b>138 222</b>	<b>659 007</b>	<b>706 948</b>
Other revenues and changes in value	5 881	842	2 534	7 573
Selling and marketing costs	-66 112	-50 376	-226 732	-242 468
Administrative costs	-16 322	-14 536	-53 485	-55 271
Research and development costs	-43 015	-36 152	-158 168	-165 031
<b>Operating profit</b>	<b>66 595</b>	<b>38 000</b>	<b>223 156</b>	<b>251 751</b>
Financial expenses	-231	-102	-750	-879
<b>Pretax profit</b>	<b>66 364</b>	<b>37 898</b>	<b>222 406</b>	<b>250 872</b>
Tax	-16 933	-10 950	-65 025	-71 008
<b>Net profit for the period</b>	<b>49 431</b>	<b>26 948</b>	<b>157 381</b>	<b>179 864</b>
Earnings per share before dilution, SEK	0.71	0.39	2.28	2.60
Earnings per share after dilution, SEK	0.71	0.39	2.27	2.60
Average number of shares before dilution, thousands	69 274	68 964	69 084	69 162
Average number of shares after dilution, thousands	69 416	69 240	69 220	69 304

## Cash-flow statement

(SEK 000s)	Q1 2007	Q1 2006	Full year 2006	Q2 06–Q1 07 12 months
Cash flow from operating activities before change in working capital	41 444	38 740	247 423	250 127
Change in working capital	-11 853	10 285	-20 490	-42 628
Cash flow from operating activities	29 591	49 025	226 933	207 499
Cash flow from investment activities	-7 544	-6 887	-37 992	-38 649
Cash flow from financing activities	660	93	-62 700	-62 133
<b>Cash flow for the period</b>	<b>22 707</b>	<b>42 231</b>	<b>126 241</b>	<b>106 717</b>
Cash and cash equivalents, beginning of period	313 466	187 225	187 225	229 456
Cash and cash equivalents, end of period	336 173	229 456	313 466	336 173

## Balance sheet

(SEK 000s)	March 31, 2007	March 31, 2006	Dec. 31, 2006
Fixed assets	89 347	96 299	85 563
Inventories	166 998	96 927	151 690
Accounts receivable and other receivables	199 612	179 962	238 586
Cash and cash equivalents	336 173	229 456	313 466
<b>Total</b>	<b>792 130</b>	<b>602 644</b>	<b>789 305</b>
Shareholders' equity	546 946	432 894	501 069
Long-term liabilities	10 779	7 064	15 732
Current liabilities	234 405	162 686	272 504
<b>Total</b>	<b>792 130</b>	<b>602 644</b>	<b>789 305</b>

## Key figures

	Q1 2007	Q1 2006	Full year 2006
Net sales growth (%)	31.5	47.1	34.3
Gross margin (%)	55.1	53.8	54.8
Operating margin (%)	19.7	14.8	18.6
Profit margin (%)	19.6	14.7	18.5
Depreciation/amortization (SEK M)	15	18	20
Shareholders' equity (SEK M)	547	433	501
Capital employed (SEK M)	558	440	517
Interest-bearing liabilities (SEK 000s)	6	7	6
Net interest-bearing liabilities (SEK 000s)	-325	-222	-302
Total assets (SEK M)	792	603	789
Return on capital employed (%)	49.6	35.7	48.1
Return on total capital	33.7	25.7	32.6
Return on equity (SEK M)	36.5	26.0	35.3
Interest-coverage ratio (times)	288.3	372.5	297.5
Net debt/equity ratio (times)	-0.6	-0.5	-0.6
Equity/assets ratio (%)	69.0	71.8	63.5
Share of risk-bearing capital (%)	71.5	72.0	64.1
Capital turnover ratio (times)	2.5	2.4	2.6
Number of employees (average for the period)	466	400	427
Sales per employee (SEK M)	2.9	2.6	2.8
Operating profit per employee (SEK M)	0.6	0.4	0.5

The key figures have been recalculated to full-year values when required.

## Per-share data

	March 31, 2007	March 31, 2006	Dec. 31, 2006
Share price at end of period, SEK	122.50	54.75	91.75
Dividend, SEK	-	-	1.00
P/E multiple	43	35	40
Earnings per share before dilution, SEK	0.71	0.39	2.28
Earnings per share after dilution, SEK	0.71	0.39	2.27
Average number of shares before dilution, thousands	69 274	68 964	69 084
Average number of shares after dilution, thousands	69 416	69 240	69 220
Number of shares outstanding (thousand)	69 278	68 968	69 253

## Quarterly data

Invoiced sales per product group (SEK 000s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2005	2005	2005	2005	2006	2006	2006	2006	2007
Video	130 231	183 107	198 422	220 766	219 598	249 253	268 667	324 092	309 160
Print	39 143	36 241	29 775	30 383	27 856	24 192	20 939	22 326	18 734
Scan	2 038	2 327	2 387	4 298	4 113	6 230	6 946	9 711	4 599
Other	3 359	4 444	4 146	4 000	5 514	3 397	4 767	4 890	5 672
TOTAL	174 771	226 119	234 730	259 447	257 081	283 072	301 319	361 019	338 165
Invoiced sales per region	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2005	2005	2005	2005	2006	2006	2006	2006	2007
EMEA	80 459	104 242	96 524	129 163	115 880	134 447	139 505	191 580	161 332
Americas	52 934	84 164	100 331	99 733	108 590	117 246	129 422	129 944	141 869
Asia	41 378	37 713	37 875	30 551	32 611	31 379	32 392	39 495	34 964
TOTAL	174 771	226 119	234 730	259 447	257 081	283 072	301 319	361 019	338 165

## *Auditor's review report*

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We have reviewed the interim report of Axis AB (publ) for the period of January 1 to March 31, 2007. The managing director and the board of directors are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act and IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with Standard on Review Engagements (SÖG) 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all essential respects, prepared in accordance with the Annual Accounts Act and IAS 34.

Lund, April 17, 2007

Öhrlings PricewaterhouseCoopers AB

Anders Lundin,  
*Authorized Public Accountant*  
*Auditor in charge*

## Teleconference

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Axis will hold a teleconference for media and financial analysts today, April 17 at 10 a.m. A presentation will be available at [www.axis.com/corporate/investor/index](http://www.axis.com/corporate/investor/index)

Time: Tuesday, April 17, 10 a.m.

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Specify Axis Communications.

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The Annual Report for 2006 is available on Axis' web site,  
[www.axis.com/corporate/investor/financial\\_reports.htm](http://www.axis.com/corporate/investor/financial_reports.htm)

Further information is available from the President, Ray Mauritsson,  
Fredrik Sjöstrand, CFO or Margareta Lantz, Manager Investor Relations &  
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