



2013

Annual report

Contents

| | | | |
|----------------------|----|--|----|
| The year in brief | 1 | Business model | 22 |
| Axis in one minute | 2 | Research and development | 24 |
| President's message | 4 | Products | 26 |
| Operations and goals | 6 | Case: AXIS M30 | 28 |
| Strategy | 8 | Case: AXIS Camera Companion | 30 |
| Market | 10 | Case: AXIS A1001 | 32 |
| Americas in focus | 14 | Operations | 34 |
| Asia in focus | 16 | Employees | 36 |
| EMEA in focus | 18 | Sustainability | 38 |
| Customer segments | 20 | The share | 40 |
| | | Administration report | 44 |
| | | Financial reporting | 48 |
| | | Notes | 55 |
| | | Corporate governance report | 74 |
| | | Board of Directors and Auditors | 81 |
| | | Management team | 82 |
| | | Invitation to the Annual General Meeting | |

The year in brief

- > Sales totaled SEK 4,717 M (4,184), corresponding to growth of 13 percent
- > Operating profit amounted to SEK 640 M (575)
- > Profit after tax totaled SEK 479 M (427)

Q1

A cautious start to the year

- > Sales amounted to SEK 982 M, corresponding to growth of 11 percent
- > Operating profit amounted to SEK 89 M, corresponding to an operating margin of 9 percent
- > Profit after tax amounted to SEK 66 M
- > Axis moved to NASDAQ OMX Stockholm's Large Cap segment
- > Axis' founder Martin Gren was named by the website IFSEC global as the world's most influential person in the security and fire industries
- > New vision and mission that better reflect today's focus on driving the network technology trend

Q2

Still global market leader

- > Sales amounted to SEK 1,114 M, corresponding to growth of 7 percent
- > Operating profit amounted to SEK 127 M, corresponding to an operating margin of 11 percent
- > Profit after tax amounted to SEK 96 M
- > Axis was ranked as the global market leader in the yearly report of the research & analysis company IHS in the categories "Network Cameras", "Security Cameras" and "Video Encoders"
- > In April, Bodil Sonesson, Vice President, Global Sales at Axis, received the Women's Security Council's "Woman of the year" award
- > Boston Business Journal named Axis as the "Best place to work"

Q3

A strong quarter

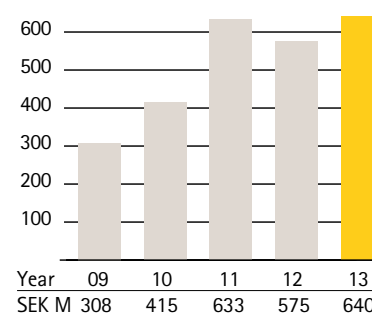
- > Sales amounted to SEK 1,322 M, corresponding to growth of 23 percent
- > Operating profit amounted to SEK 258 M, corresponding to an operating margin of 20 percent
- > Profit after tax totaled SEK 200 M
- > Axis introduced an access control system, the AXIS A1001 Network Door Controller
- > Release of developed software for AXIS Camera Companion
- > The quarter was characterized by high margins, good growth in all regions and strong cash flow

Q4

Performance in line with expectations

- > Sales amounted to SEK 1,299 M, corresponding to growth of 10 percent
- > Operating profit amounted to SEK 166 M, corresponding to an operating margin of 13 percent
- > Profit after tax totaled SEK 117 M
- > Release of the fifth generation of Axis' proprietary chip – ARTPEC 5
- > Axis received the Prix d'Excellence award from the Swedish Chamber of Commerce in France
- > Axis' President Ray Mauritsson, received the "CEO of the Year" award for the large company category from the organization Motivation.se.

Operating profit/EBIT



Key ratios

| Group, SEK M (unless otherwise stated) | 2013 | 2012 |
|--|-------|-------|
| Net sales | 4,717 | 4,184 |
| Operating profit | 640 | 575 |
| Profit before tax | 637 | 569 |
| Profit after tax | 479 | 427 |
| Earnings per share, SEK | 6.89 | 6.15 |
| Cash and cash equivalents at the end of the period | 338 | 465 |
| Dividend paid, SEK | 5.00 | 5.50 |

Sales per region, SEK M

| Region | 2013 | 2012 |
|----------|-------|-------|
| Americas | 2,364 | 2,118 |
| EMEA | 1,764 | 1,579 |
| Asia | 589 | 487 |

224

new employees

Axis in one minute

Axis offers intelligent security solutions that enable a smarter and safer world. As the global market leader in network video, Axis is driving the trend in the industry by continually introducing innovative network products based on open platforms, which deliver increased value to customers and are distributed through a global partner network.

#1

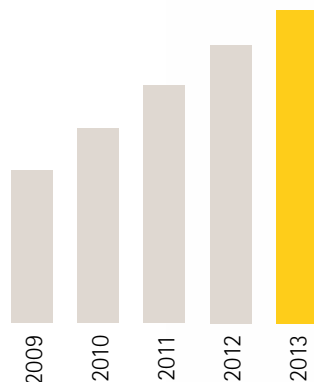
Global market leader

in security cameras, network video and video encoders

+13%

Sales growth

2013



4,717

SEK million in **sales**

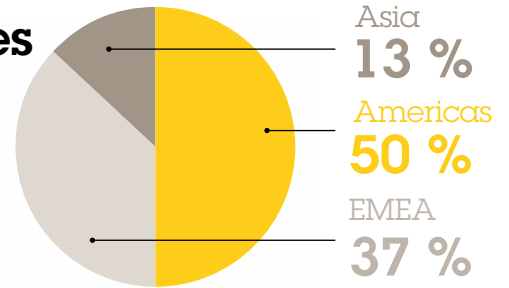
Follow Axis on:

www.axis.com



Invoiced sales per region

2013



Number of **employees** in the Axis group

1,627

Number of **countries** with Axis employees

44

Number of **countries** with partners

179

more than **65,000**
partners



AXIS
COMMUNICATIONS



During 2013, Axis continued to invest in building up an organization that is well-equipped to take advantage of the opportunities of today as well as those of tomorrow. Thanks to a clear shared ambition, we have reached many of the goals set at the start of the year. Meanwhile, the somewhat more challenging market conditions continued, which have impacted both the global economy and the market for network video in recent years. After a number of years with a very high rate of recruitment, the hiring rate was adjusted during 2013 to be more in line with market growth.

“ Success gives us the confidence and motivation to continue improving and innovating

2013 was a successful year for Axis in many ways. We continued to release new innovative products in network video in order to meet demand in a strongly expanding and competitive market. In September, Axis unveiled its first product outside the network video field in more than ten years – the AXIS A1001 Door Controller. By now offering an access control solution, we have clearly strengthened our position in the sales channel as well as our overall offering to partners. Furthermore, I can confirm with great pride that Axis was ranked as the global market leader in three categories in IHS Research's yearly market report. We are now number one in video surveillance cameras, network

Future investments for continued expansion and growth

cameras and video encoders. We will continue to drive the market for network surveillance solutions through our position as market leader and through our technological leadership.

Strong global position

The EMEA region performed weaker during the year than the average for the entire market. Axis' strong position in North America was reinforced. In Asia, we are continuing to boost our presence, strengthen our brand and build successful partnerships. Our assessment is that we grew in line with the overall market during the year and Axis continues to have a strong global position. Our ambition is to further strengthen our market leadership. Through a clear focus on organic growth, we will continue to expand in existing and new markets.

Positive trend in smaller installations

During the year, our offering towards smaller installations was strengthened. We have advanced the software for AXIS Camera Companion, further enhancing and simplifying use of network video for customers with smaller installations. It is gratifying to see the continued strong growth rate for Axis Camera Companion. Meanwhile, we also released a number of new network cameras that are primarily targeted towards this rapidly growing market segment where the technology shift from analog to digital surveillance has just started. By developing functionality, which enables integration with other business-critical systems, by producing cost efficient overall offerings and ensuring simplicity during installation, we have good potential to continue to see a positive trend in the market for smaller installations. We will continue our vigorous efforts to boost Axis' presence in smaller installations by building strategic partnerships, developing attractive solutions and increasing the market's knowledge of the benefits of network surveillance systems.

Continued high rate of innovation

New and advanced network cameras have been introduced in all camera series as well as an improved offering towards our partners and end customers. Continual development of our ASIC platforms enables continued release of leading products that can meet the increasing need for smart functions and intelligent video analytics in the next few years.

An expanding global organization

During the full-year 2013, the number of employees increased by 224 people. The recruitment rate was adjusted to market growth during the year. After a number of years with a very high recruitment rate, the company has continued to focus on prioritizing activities aimed at introducing new employees, not just in their specialist roles but also in the organization as a whole and in the deeply rooted corporate culture. During the year, all employees participated in group exercises aimed at maintaining and continued development of a strong corporate culture and at describing our shared long-term ambitions.

The future is ours

Strong drivers continue to create an increasing need for security solutions. People throughout our world have a fundamental right to feel safe and secure in their daily lives. The market is also driven by technological development and innovation in a number of areas, which is creating new opportunities for Axis. I am optimistic about the future. Our clear strategy and leading market position give us good potential to achieve continued positive and profitable growth. Axis will celebrate 30 years as a company during 2014. During these years, we have been driven by the ambition to create new possibilities in the market through innovation. Success gives us the confidence and motivation to continue improving and innovating for a smarter and safer world.

This is what we want to achieve

Business mission

Axis makes it possible for people to create a safer and more secure world for citizens, employees and customers. Axis' business mission is to drive the shift from analog to digital video surveillance and offer customers all the benefits of comprehensive intelligent network video solutions.



Vision

Innovating for a smarter,
safer world.

Mission

Together, we pioneer intelligent
network technology creating
unique possibilities for partners,
end users and employees.

Financial goals

Axis's financial goals aim to create a good basis for safeguarding shareholders' interests for a long-term increase in value. The financial goals for growth and profitability enable continual investments in line with the company's strategies. Axis' market-leading position creates a good basis for achieving growth, profitability and financial stability.

Total average annual
growth of at least

20%

Comment:

Axis operates in a strongly expanding market and the goal is to grow faster, or in line with the market in the long term. Growth is generated by underlying demand for security cameras and Axis is driving the shift from analog to digital video surveillance. Growth was 13 percent in 2013.

Profit margin
of at least

10%

Comment:

Over a business cycle, Axis shall display a profit margin of at least 10 percent. The goal is formulated on the basis of the market trend in the longer term. The profit margin was 14 percent in 2013.

Successful stra

Axis' overall strategy is to drive the development of network security solutions. The strategic action plan is based on global market leadership, long-term cooperation and continued release of new, innovative products and solutions. Axis offers intelligent security solutions together with partners and combines knowledge with leading products.

1 Global market leadership

Global expansion

Market leadership must be global

- > Continue expansion in new markets and boost presence in existing markets.
- > Increase focus on emerging markets.

Global network

Together with partners and suppliers, we are obtaining a global presence and local market knowledge

- > Continue strengthening partnerships and promoting exchange of competencies.
- > Create opportunities via new market channels and players.
- > Offer expertise in strategically important segments.

Global knowledge and expertise

Create conditions for employees, partners and end customers to benefit from cross-border competencies

- > Offer global service and support.
- > Coordinate resources for efficiency and learning.
- > Short decision-making processes for a dynamic organization.

2 Loyal partnerships

Effective exchange of competencies

Close and long-term collaboration with partners enables a broad market presence and mutual learning

- > Advanced collaboration with local and global strategic partners
- > Contribute time, commitment and competencies in order to drive the trend.
- > Continual development of partners and end customers through certification programs and training.

The market's best solutions

Shared competencies create leading offerings

- > Close dialogue with partners during the entire development work.
- > Specialist competencies in each area.
- > Superior market knowledge enables attractive end customer solutions.

We are driving the market together

Through our common strengths, we are developing the security market

- > Together with partners, business is growing within existing customer segments.
- > Using strong market insight, new end customer segments can be identified.

Achieved during 2013:

- > Established Axis' offices in three new countries.
- > The sales force grew by 106 people to 704 in total in order to meet demand from partners and end customers.
- > Continued strong support functions.

Achieved during 2013:

- > 10,000 new partners.
- > 8,500 participants in classroom training and seminars all over the world.
- > Common investments in new business areas.

tegy



3 Smart, innovative products and solutions

Focus on the core business

Continued release of the market's smartest and most innovative network video products

- > Drive the network video trend.
- > Increased focus on solutions adapted for specific end customer segments.
- > Create added value for the customer by offering the best overall solution.

Strengthened overall offering

Supplement the product portfolio with accessories and services for an improved overall offering

- > Products for simplified installation and management.
- > Improved warranty policy and after-sales/support services.

Drive the trend

Identify new profitable business areas and customer segments

- > Release products and solutions within the framework for technological competencies or the business model.
- > Challenge existing solutions and drive focus towards increased integration and digital overall solutions.

Achieved during 2013:

- > 28 new products.
- > Continued strong investments in research and development.
- > Introduction of access control system – AXIS 1001 Door Controller.

10,000
new partners all over the world

28
new products were released in the market

1,120
new Axis Certified Professionals

Seizing today's opportunities

The market for network security solutions is continuing to grow at a rapid rate. The fundamental right to a safe and secure society is the basis of the increased demand for video surveillance. Meanwhile, rapid technological development means that new profitable markets and segments are being identified.

Axis is today global market leader in security cameras, network video and video encoders.* The strong position is the result of successful organic growth while retaining strategic focus. By focusing on developing the offering in the core business together with partners, combined with expanding in new profitable markets and segments, we can seize today's growth opportunities. Today's customer value is generated through advanced technological knowledge, deep customer insight and the ability to deliver rapidly and reliably. Based on these capabilities, an organization is created that contains a passion for the business mission and which optimizes synergies and resources.

Boost growth in today's core business

The majority of Axis' sales are currently generated in mature markets where increased security awareness and the technology shift from analog to digital surveillance are still the strongest drivers. During 2013, mature markets accounted for 73 percent of total sales. Therefore it is of great importance that we continue to invest in products and market channels that effectively meet today's needs. Most sales are currently made in larger installations where the benefits of network video are most obvious and have been for some time.

As partners and end customers become better trained, higher demands are imposed on Axis to produce solutions that now mean higher demands in terms of functionality and quality. An important initiative is the concentrated efforts to deliver increased customer value through market segmentation. Sales and development teams are focusing on specific customer segments in order to rapidly obtain the industry's best

knowledge about special needs, strengthen relationships, drive demand and create the best solutions. The segmentation aims to deliver customized solutions based on the field of application, user-friendliness, special requirements for standards and norms and need of integration into new or existing security systems and IT networks. The company is also focusing strongly on developing the offering for integrated solutions that simplify use for partners and end customers. Previously separate and proprietary security systems are connected to smart, complete overall solutions. Axis is continuing to drive this trend with open platforms and close cooperation with software developers and system integrators.

In a rapidly growing and fragmented market with more than 400 competitors, global leadership is of great importance. It provides Axis with the opportunity to drive the technological trend and contribute to industry standards. It is extremely important to build the organization and focus on new innovations in order to meet future growth in new areas. Meanwhile, it is just as important to continue focusing on the core business in order to seize today's great opportunities. With the market's broadest product portfolio, worldwide market presence as well as efficient production and distribution chains, Axis is well-positioned to strengthen its market leadership.

Strong global drivers

The overall video surveillance market is expected to grow by about 13 percent annually in the coming years while the network video market is expected to show an average growth rate of 22 percent until 2017.*

ities ...

The main global drivers behind the growth are the following:

- > **Technology shift:** Knowledge is increasing among customers who are demanding more advanced and smarter surveillance solutions. This is partly a result of the growing need for a safer world, but also due to the realization that increased camera functionality can improve business, streamline surveillance and simplify operation. The advantages of network systems, such as easy integration, scalability, better image quality and remote monitoring are driving the shift from analog to network camera surveillance. Today, digital solutions account for around 40 percent of total new sales. By 2016, this share is expected to have increased to more than 50 percent*.
- > **Increased security needs:** The general acceptance of camera surveillance is increasing as citizens, customers and employees seek a safer and more secure environment. The need for increased security is driving demand for more cameras in private and public environments, and for more advanced security solutions and upgrades of existing systems. This is resulting in demand for smarter solutions in existing installations and is creating business opportunities in new areas.
- > **Urbanization:** The global urbanization trend is continuing, which is imposing greater demands for additional and more advanced security solutions. Investments in properties, public transport and other infrastructural systems are increasing demand for professional surveillance.

#1

in the network video market

Market shares for surveillance cameras (analog & network cameras), 2012*

| Place | Supplier |
|-------|---------------------------------|
| 1 | Axis Communications |
| 2 | Panasonic System Communications |
| 3 | Hikvision |
| 4 | Samsung Techwin |
| 5 | Bosch |

Market shares for network cameras, 2012*

| Place | Supplier |
|-------|---------------------------------|
| 1 | Axis Communications |
| 2 | Panasonic System Communications |
| 3 | Hikvision |
| 4 | Sony Electronics |
| 5 | Pelco (by Schneider Electric) |

Market shares for video encoders, 2012*

| Place | Supplier |
|-------|------------------------|
| 1 | Axis Communications |
| 2 | Hikvision |
| 3 | Bosch Security Systems |
| 4 | Nice Systems |
| 5 | Uniview |

* IHS: The World Market for CCTV and Video Surveillance Equipment – 2013 Edition.

... and seize tomorrow's growth

As customer segments in larger installations and in mature markets become more penetrated, future growth will be driven by new market segments, emerging markets and new product functionality, which increases product value. Axis works actively to position itself in segments and regions where the growth potential and profitability are estimated to be particularly strong. Maintained focus on continued expansion and good knowledge about the market trend mean that the outlook is good for long-term growth and sustained value creation. In order to meet the future demand, we are mainly focusing on three areas.

1. New market segments

Axis estimates that the penetration rate for larger installations is today around 70–80 percent. Meanwhile, only about 10 percent of the market for smaller installations currently uses network video. This is mainly due to the fact that the cost to the end customer of installing

a digital surveillance system has been higher than analog solutions. In line with Axis releasing solutions adapted for small systems and as customers perceive the advantages of network video, the growth potential in this part of the market is considerable. Typical customers are principally stores, small offices and hotels with around 10 cameras. Installations consisting of a few cameras are estimated to account for about 30 percent of the total market and are a prioritized growth area for Axis.

By focusing on user-friendliness and simplicity in combination with the possibilities offered by network video, the advantages of Axis' products will become obvious. Together with partners, solutions are developed and security offerings are specifically targeted towards this market segment. Demand is increasing and in partnership with global and national security companies, there are strong growth opportunities in this growing part of the market.

Installations consisting of a few cameras are estimated to account for about 30 percent of the total market and are a prioritized growth area for Axis.

2. Emerging markets

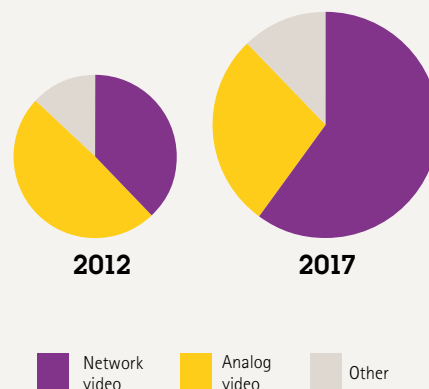
Emerging markets currently account for 27 percent of Axis' sales. In the next few years, the company will focus strongly on continuing to boost its presence in emerging markets outside Western Europe and North America. Most of the population growth will occur in cities in growth regions. The extensive urbanization requires extensive investments in infrastructure and urban development, which in turn requires flexible and large-scale surveillance solutions. Meanwhile, a growing middle class is driving the need for modern office and commercial premises, more secure schools and new health establishments and hospitals, which have professional surveillance systems. To maintain and strengthen competitiveness in these markets, Axis must continue to take advantage of global and regional scale benefits. By utilizing efficient distribution channels, strengthening local partner networks and training the market, a good basis is being created to benefit from the strong growth that these regions are expected to display. Based on how success has been achieved in mature markets, considerable resources are now being invested in building up an organisation that is ready to drive and take advantage of the strong demand in the world's emerging markets.

owth

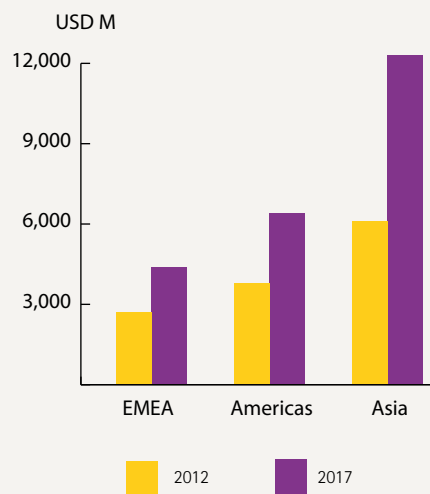
3. New use of network video

As knowledge increases among customers, more advanced and smarter surveillance solutions are being demanded. This is a result of the growing need for a safer world and also due to the realization that increased camera functionality can improve business, streamline surveillance and simplify handling of recorded material. The technological development in both hardware and software makes it possible for Axis to shift additional value and functionality to the cameras. With smart applications and integrated solutions, the fields of application for surveillance cameras are being extended considerably. For a retail store, the camera may also make it possible to count the number of customers that enter the store and monitor how they move in the store, thereby optimizing commercial space. For an airport, it may involve ensuring that lines of cars do not become too long. On subway platforms, the new technology makes it possible to inform operators in real-time if someone crosses the tracks and thus provides the chance to avoid accidents. Security companies can use new intelligence in order to optimize surveillance, improve efficiency and plan operations in the best way. Existing customers are offered better and smarter solutions while entirely new customer segments are reached. With network video as a base, the product range is being progressively broadened to include accessories, access control and developed software.

The video surveillance market*



Sales per region*



* IHS: The World Market for CCTV and Video Surveillance Equipment – 2013 Edition.

Emerging markets accounted for

27%

of sales in 2013

Americ

Strengthened position

The Americas region continued to display a stable growth rate during 2013. The region accounts for about 50 percent of Axis' total sales and growth for the year totaled 16 percent. During the year, Axis became the market leader in the overall video surveillance market. Demand for network surveillance solutions is increasing across the entire region.

North America

The US and Canada are characterized by a relatively high penetration rate in large installations. More trained partners and end customers, are helping to make network solutions the natural choice. Greater security awareness, increased penetration in new customer segments and increased demand for services that add value, continue to generate strong growth opportunities in the region. The US is Axis' largest single market. This leading position was strengthened during the year. Despite some macroeconomic turbulence, demand for network video is still stable. Axis' offering targeted towards smaller installations is showing high growth. There is strong interest in the access control system,

which was launched in September. Successful product releases and marketing activities have boosted demand, especially in the retail and education segments. The North American organization was strengthened by 45 new employees during the year. Meanwhile, the work continued on strengthening the partner network. Axis Communications Academy had more participants than ever before with about 4,200 taking part during the year. The number of persons who participated in webinars also increased sharply to around 3,000. In North America, there are now more than 1,300 Axis Certified Professionals.

Latin and South America

Interest in and acceptance of network video in Latin America is increasing rapidly. The region largely consists of emerging markets where the use of network security solutions is relatively low compared to other markets. Growth during the year was 29 percent. Demand is expected to grow sharply in the region in the coming years in line with increased investments and urbanization. Axis has a local presence in Mexico, Brazil, Argentina, Chile, Peru, Costa Rica and Colombia. Mexico and Brazil, are the largest markets in the region. Growth of digital surveillance systems is being driven by rapid economic development and future hosting of international sporting events. Transport and city surveillance are the largest customer segments. To drive this trend, the company is continually investing in training of new and existing partners. A total of 39 people work in the region.

Customer segments in focus



Transport



Retail



City surveillance



Education



as

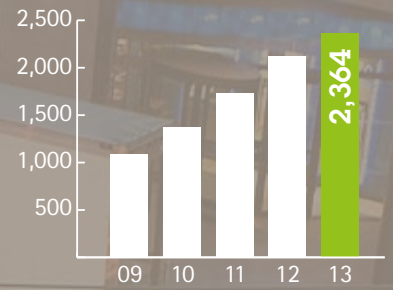


Local presence in

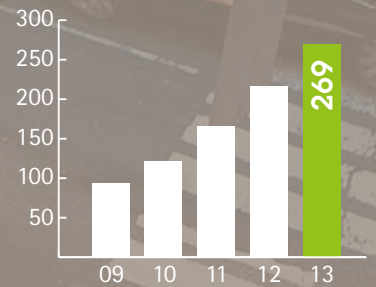
9

countries

Sales in SEK M



Number of employees



50 percent of sales



Asia

Continued expansion and growth

Demand for digital surveillance solutions is increasing rapidly throughout Asia. Growth was particularly high in the South-east Asian emerging markets but the network video market continued to grow even in the more mature countries of the region. During 2013, sales increased by 21 percent.

Demand for Axis' products is mainly driven by major investments in infrastructure and new construction in several of the region's growth markets. The anticipated strong underlying GDP growth in several Asian markets means that demand for professional and flexible network solutions is expected to continue growing rapidly. China is expected to account for a significant share of the total future growth in network video. We are continuing to strengthen our local presence through a high rate of recruitment and new cooperation with partners. During the year, Axis established a local development department in Shanghai in order to meet specific local product requirements, among other reasons. The Chinese market is characterized by intense competition

from both domestic and foreign players. Large investments are therefore being made in order to further strengthen the partner network and to also train system integrators and end customers.

Continued expansion in the region's emerging markets is a high prioritized area. Today, Axis has a good basis for taking advantage of the rapidly growing demand. Our presence is increasing in countries such as Vietnam, Indonesia and the Philippines. Meanwhile, Axis has a strong position in the mature markets of the region. During the year, the offices in Singapore, Hong Kong, Tokyo, Taipei and Melbourne were expanded and another office with Axis' own personnel was established in New Zealand.

During the year, the Axis Solutions Conference was very successfully staged in six Asian cities with more than 2,000 participants. Axis' certification program continues to be rolled out across the region. Targeted training was conducted towards specific customer segments in order to provide increased knowledge and to strengthen long-term relationships.

Demand remained strong in the retail and city surveillance segments, while interest continued to increase in the transport sector. Thanks to a strengthened offering and focused investments, solutions targeting smaller installations also continue to show a positive trend.

Customer segments in focus



Transport



City surveillance



Education



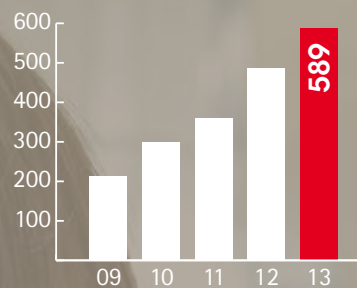
Industry

Local presence in

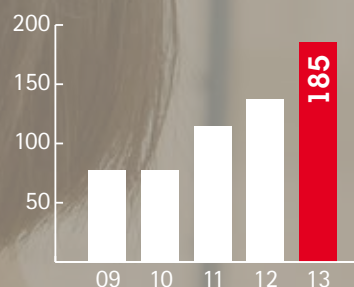
14

countries

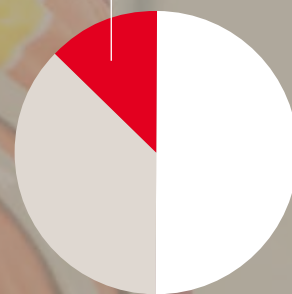
Sales in SEK M



Number of employees



13 percent of sales



EMEA

Increased sales in a challenging market

The EMEA region consists of countries with large differences in economic conditions, legal structures and demographics. This means that the use of digital security solutions has reached different stages of advancement within the region. With its own presence in 21 countries, Axis has good knowledge about the varying local market conditions.

Despite a challenging macroeconomic situation in parts of the region, sales increased by 12 percent during 2013. By adapting resources and investments to different current needs and future opportunities, the basis is created for sustained growth and profitability in the entire region.

Europe

During the year, a number of European markets were affected by continued weak market conditions and austerity measures. The economic turbulence mainly reduced the growth rate in mature Western European markets where demand grew somewhat slower than the network video market as a whole. Meanwhile, sales in Southern Europe stabilized at a slightly higher level than before. Offerings to smaller installations performed well in several European markets. During the year, Axis dedicated internal resources and

performed a number of targeted marketing activities in order to drive growth in this segment. In Northern Europe, demand was still good, particularly in the transport and retail segments. A rapidly growing customer group in the region is the energy sector, where new product releases increased demand for video surveillance of nuclear power plants, solar parks, wind farms as well as oil pipelines. In Eastern Europe, investments are continuing in order to build a strong partner network and to train the market. Despite a weaker macroeconomic trend in Europe, the network video market is continuing its long-term growth and Axis has a strong position in the region.

Middle East and Africa

The countries in the Middle East have a high degree of IT maturity, which is having a positive effect on demand for network systems. Digital solutions are dominant in new installations and there is extensive security awareness. During the year, a new office was opened in Qatar. Through an increased local presence and products developed to meet local requirements, Axis is well-positioned to boost sales in this rapidly growing region. In Africa, Axis has continued to build up strong relationships with partners and to gain local expertise. The penetration of network video is comparatively low today but the long-term potential is high in line with improved living standards and urbanization. The recruitment rate in the region was higher than for the group as a whole and interest in network video is spreading rapidly.

Customer segments in focus



Transport



City surveillance



Banks and finance



Critical infrastructure

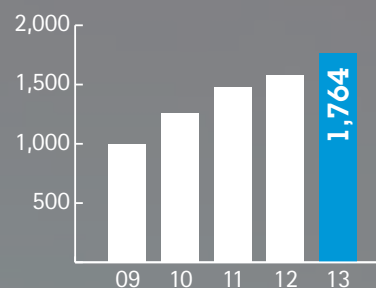


Local presence in

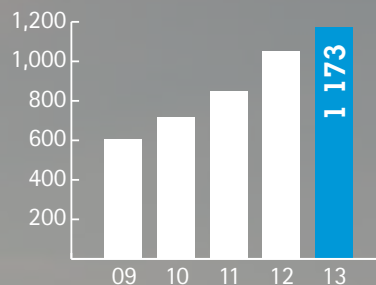
21

countries

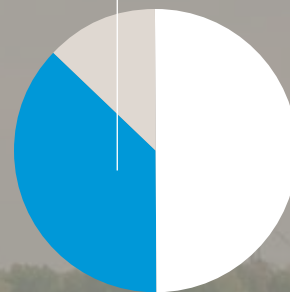
Sales in SEK M



Number of employees



37 percent of sales



A market full of opportunities

Axis has identified nine end customer segments for the purpose of offering attractive solutions with the right functionality for specific needs. It is a matter of building internal competencies not only in order to meet the needs of today, but also to drive demand and develop end customer needs. The largest customer segments are transport, retail, city surveillance and education. Axis has dedicated sales and development teams that focus on individual customer segments. Comprehensive customer group knowledge optimizes the sales organization and product development work.



Transport

The installations in the transport segment are often complex and require a large number of cameras featuring different functionalities. Axis' scalable and smart solutions enable a large number of applications and deliver new value to customers in the transport segment. Network video boosts security in public transport, improves surveillance efficiency in and around airports, enhances road safety and accident detection, streamlines the handling of goods for logistics companies and contributes to a safer environment on board ships, ferries and in ports.



Retail

The retail industry is facing tough challenges, including intense competition, small margins as well as external and internal shrinkage. To date, video surveillance systems in retail have been mainly used to improve security in stores and department stores. Using Axis' network video solutions, entirely new possibilities are offered, which enable more efficient measures for handling shrinkage, improved monitoring of marketing activities and more efficient daily operation of all from small stores to larger chain stores.





Banks and finance

The banks and finance segment has been dominated by analog surveillance solutions for a long time. With reliable network video solutions from Axis, banks and financial institutions can make a simple and cost-effective shift to flexible security systems based on IP technology. The security solutions provide increased security to customers and employees, comply with legal guidelines and segment-specific requirements and also improve efficiency and customer service.



City surveillance

The worldwide move to cities is continuing. Axis offers security solutions in order to meet the unique challenges that today's expanding cities are facing, night and day. It is about being able to guarantee safety and security in public places. Solutions that offer effective real-time surveillance in demanding environments increase the protection of people and property, which reduces costs for damage, simplifies investigations and above all makes it possible for more people to take advantage of the opportunities presented by cities.



Critical infrastructure

The need to protect critical infrastructure such as energy supplies and telecommunications is constantly changing. Threats not only in the form of sabotage but also from extreme weather conditions, create needs for perimeter protection and surveillance of production processes. Using reliable network cameras from Axis, complex surveillance solutions can be created, enabling critical infrastructure to continue functioning without interruption.



Education

Everyone should have the right to experience a safe school environment. Damage, violence and burglary mean that considerable resources are spent on repairs and investigations and pupils who do not want to go to school. Axis' security solutions for the education segment, include surveillance of outdoor areas and premises both during daytime and after school hours. Thanks to efficient network video solutions, valuable resources may instead be used to develop the key core business – education.



Industry

Network video systems have become an important tool for industrial players when it comes to improving and streamlining manufacturing and production processes. Meanwhile, new technology for improved image quality and more customized cameras has enabled better surveillance of warehouses, factory areas and building sites in order to protect against intrusion and reduce the number of accidents.



Health and medical care

By detecting emergency situations in real-time, a network camera system functions as a tool to promptly give hospital staff information about critical alarms. Axis' solutions are equipped with technology to streamline day-to-day routines and resource management. Above all, a well-customized surveillance installation provides a more secure environment for patients, personnel and visitors.



Public sector – state and government

Network video is a well-tried and effective way to boost security for citizens who visit or have their workplace at public authorities and other public institutions. City halls, libraries and museums, but also prisons and courts, are examples of places where perceived and actual security may be improved considerably by using digital security solutions. Axis' network cameras are cost-efficient to install and own, and the open platform makes it easy to increase the number of cameras and integrate them with other network systems.

Unrivalled market presence

A clear global business model promotes loyalty, scalability and exchange of knowledge. In collaboration with distributors and partners in 179 countries, a basis is created for delivering leading network solutions to customers all over the world.

Products may be copied, but it takes time to build up commercial trust. Axis' position in the global sales chain is one of the company's most difficult to copy competitive advantages as well as its outstanding strategic focus. The indirect sales model has always been a central element in the strategy. Through a comprehensive partner network, specialist competencies are developed at each stage, from distribution to installation. Sales of Axis' products take place via distributors that sell on to system integrators and resellers that in turn meet the end users.

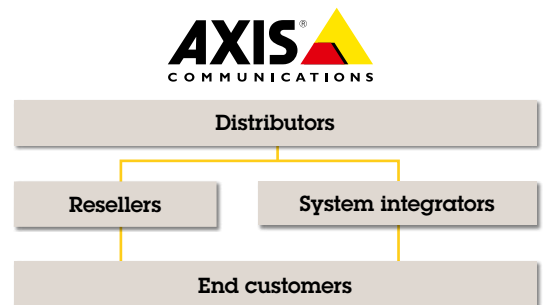
The business model guarantees scalability and proximity to the market.

Comprehensive distribution

Distributors constitute the first stage in the business model. By collaborating with both global and local players, comprehensive distribution channels are ensured and a limited dependence on individual players. The distributors stock the products. Effective logistics chains ensure access and proximity to the market. Specialized distributors in the IT, cable and security industries with well-established sales channels and efficient handling routines enable comprehensive market penetration. Continual dialogue provides Axis with a good understanding of the distributor view of the market trend, forecast inventory levels and what channels need to be supplemented or developed in line with adding new end customer segments.

Dynamic partner network

System integrators and resellers make up the second stage in the business model. These partners meet the end customers and handle installation, integration and service of Axis' security solutions. Axis' own sales organization works very closely with partner companies and provides continual support, specialist knowledge and skills transfer. Specialist competencies have been established in prioritized end customer segments. Global training and certification programs have been successfully introduced all over the world in order to strengthen Axis' position in this channel. Our global presence is strengthened by developing existing collaboration with partners and supplementing the network with new players. Today Axis has more than 65,000 partners, from international groups to small local installation engineers. In line with broader use of network solutions and new end customer segments, it is very important for Axis to continue offering the market's best products and service in order to remain the natural choice for all partners.



Scalability and loyalty

The business model guarantees scalability and proximity to the market. The structure is built on loyalty. No partner has an exclusive agreement with Axis. This guarantees that end customers can feel secure in a workable competition and that Axis' solutions and products must maintain the highest quality and meet the imposed demands regardless of market. Today about half of the company's sales are made directly via distributors and partner companies, without involvement of Axis' own personnel. This is a clear expression of the inbuilt strength and scalability of the business model.

Global network for future growth

A well-developed network of partners with a strong presence in regional markets and good knowledge about local trends and needs, means that Axis is well-positioned to take advantage of the market's growth potential. Together with distributors, system integrators, resellers, software developers, technology suppliers and consultants, a growing need for professional and innovative network solutions is being met. The full potential of the business model is best harnessed by combining the collective knowledge and expertise of all partners. The partner network is a strong contributory force in the shift from analog to network video surveillance. Continued efforts are being in order to develop the network, drive the technology shift and broaden the use of digital security systems. The overall knowledge in the network enables rapid adaptation to new trends, but also provides the opportunity to drive growth, create new needs and produce the solutions of tomorrow.



The ability to develop ideas

Innovation is just as much about advancing existing solutions as about developing completely new technology. Axis' research and development work is thus directed at stimulating gradual improvements and encouraging pioneering ideas that create new needs in a rapidly growing market. Promoting new thinking and putting it into practice is a cornerstone in our development work. Axis' combined research and development department at the headquarters in Lund provides advantages that span the entire development work.

All development at Axis proceeds from a deep insight into what customers and professional users are requesting. A close dialogue is conducted with partners and end customers in order to continually boost understanding of market needs and new trends. Based on this

knowledge, the development department is inspired to think outside the box in its efforts to produce new products. Continued investments in research and development are essential to maintain a high rate of innovation and a market-leading position.

Making the right products

The point of departure in our development work is to create the right products. Products that customers want to have. The technological level is irrelevant unless the market need exists. Great efforts are

thus made to understand what factors are important for both the market as a whole and for specific customer segments. By working close to partners in their everyday operations, Axis can focus its research and development work in the right direction and offer products with the requested features. It is about understanding customer expectations and continually evaluating and developing the existing offering, but also about identifying new

opportunities. A flexible and perceptive organization enables adaptation to new trends and needs. During 2013, a development department was established in Shanghai in order to get closer to a strongly expanding market with many local demands and unique specifications.

Making the products right

Making the right products, i.e. releasing products with the right specifications on paper, is not important if the products do not meet expectations as regards image quality, reliability and user-friendliness. Axis shall meet the demands imposed with a clear ambition to constantly improve quality and performance. For instance, this is about forming a clear view of how climate and temperature affect the product, but also about untested applications where Axis' solutions face new challenges in terms of functionality, data management and user-friendliness. It is not enough to unveil pioneering innovations. The products must also be commercially viable and correspond or exceed expectations regarding, e.g. reliability.

The continual work on developing internal understanding of market needs, combined with the aim of developing solutions that meet imposed demands, creates a good basis for continued success in technological and product development.

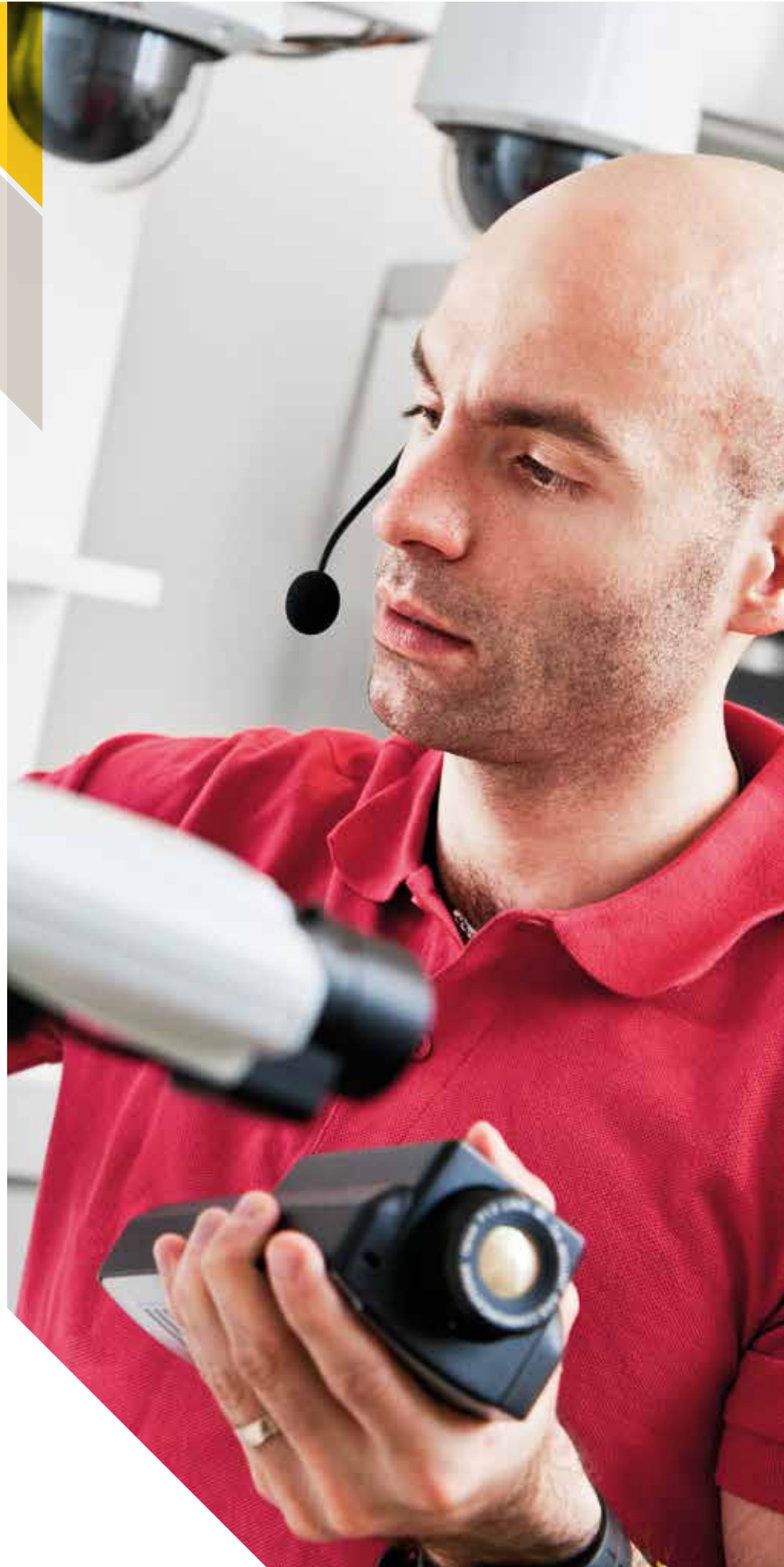
636

**employees work
in research and
development**



New technology provides new opportunities

The network video market is characterized by rapid development and greater demands in respect of quality, functionality and applications. An important growth factor is the increasing access to advanced technology, where development of image sensors, processors and storage technology is advancing rapidly. This makes it possible for Axis to continue developing products that make a difference. By combining techniques for better light sensitivity and image quality with simplified user-friendliness and intelligent functions, development opportunities accelerate rapidly. As market leader, Axis can help to influence the technological development. Close cooperation with leading technology partners means effective access to new technology, which is a requirement in order to be first to release innovative products in the market. This makes it possible to take the lead in efforts to set future industry standards and in driving the technology trend.



... into leading prod

During 2013, Axis released 28 new products. In addition to these, a large number of refined variants of existing solutions were released. Higher market requirements and access to new technology continue to enable a rapid release of new network surveillance solutions.

Continued
high rate of
innovation

A better trained market provides a clearer view of requirements from customers and partners. Today it is not enough to offer the basic advantages of digital systems, such as simplified use, easier installation

and better image quality. Users and installation engineers also impose high demands when it comes to factors such as design, quality, mounting and certification. Axis' product strategy is to broaden the product portfolio in the core business, develop new solutions within the current business framework

and release entirely new products in markets where Axis has not operated previously.

Refinement of existing products

Successful products are continually developed incorporating new technology and segment-specific features. It is about supplying as large a part of the product portfolio as possible with the latest technology and about equipping network cameras with unique features for specific customer groups. To strengthen the overall offering, the number of supplementary products and services that simplify installation and system management is also increasing.

Examples of products released during the year include:

- > **AXIS M30:** One of Axis' most successful product series in recent times. Improved features such as 360° overview surveillance, vandal-proof, compact design and simplified installation make it ideal for offices, hotels and stores.
- > **AXIS Q87:** An advanced camera featuring dual vision, simultaneous video streams from a thermal camera and a visual camera, which is mainly targeted towards customers in the infrastructure segment.

- > **AXIS Q1765-LE:** A thin and robust network camera with IR functionality. The product is specially developed for outdoor surveillance in demanding environments and can withstand temperatures from -40 °C up to 50 °C. The camera is ideal for surveillance of parking lots, entrances and perimeter protection.
- > **AXIS M7016 and P7216:** Improved video encoders that enable cost efficient and flexible changeover from analog to network surveillance. Primarily targeted towards customers with small and medium-sized installations.

Challenge established solutions

Based on existing knowledge and the core business, new segments and fields of application are identified where the network video penetration rate is still low. This may involve customers that earlier used analog systems or segments that have not used video surveillance previously. By releasing unique solutions, specially developed products and adapting functionalities, Axis challenges established security solutions and can offer more end customers the benefits of network video surveillance.

Examples of products released during 2013 include:

- > **AXIS Camera Companion 2.1:** An advanced version of Axis' offering for smaller installations. The new version facilitates installation and system management.
- > **AXIS P54:** A newly-designed PTZ camera, which enables wall mounting and can meet specific design requirements from architects and constructional engineers.

ucts



Products released during the year

During the year, Axis released many innovative network video products. For more information, visit www.axis.com and select Products. Some examples of the new releases are listed below.

Network cameras

| | |
|-------------------|--------------|
| AXIS M2014-E | AXIS Q1765-E |
| AXIS P1355/-E | AXIS P5414-E |
| AXIS P1357/-E | AXIS P5415-E |
| AXIS M1004-W | AXIS Q6042-E |
| AXIS M5013-V | AXIS Q6044-E |
| AXIS M5014-V | AXIS Q6045-E |
| AXIS Q8722-E | AXIS Q6042 |
| AXIS M3024-LVE | AXIS Q6044 |
| AXIS M3025-VE | AXIS Q6045 |
| AXIS P3364-LV/LVE | AXIS Q1931-E |
| AXIS M3026-VE | |

Video encoders

| | |
|------------|------------|
| AXIS Q7920 | AXIS P7216 |
| AXIS M7016 | AXIS Q7436 |

Software

AXIS Camera Companion 2.0

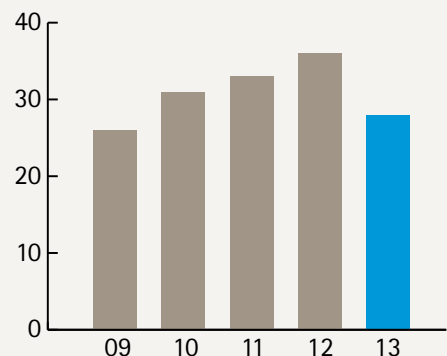
Thinking outside the box

Since its establishment, Axis has been characterized by strong innovative power. In its New Business department, engineers and developers are focusing on identifying the innovations of the future, which are based on network technology or suited to the company's business model.

- > **AXIS A1001:** The product is Axis' first solution for access control. By deploying the technological knowledge and partner network, the market's first IP system featuring an open platform for access control was introduced in September.

The ability to develop the right solutions, retain focus on the company's strengths and dare to challenge established concepts mean that Axis is well-equipped to continue releasing the market's leading network surveillance solutions.

Number of products released 2009–2013





Impro

AXIS M30 – To continually refine established solutions.

Small and less advanced network cameras have been part of Axis' product portfolio for several years. However, the rapid technological development and strong growth in large installations has meant that the main development focus has been directed towards more advanced camera series. For example, as store owners, restaurants and schools discover the advantages of network video, higher requirements are imposed on Axis to meet specific needs from these customer groups. User-friendliness and price are important factors and network surveillance cameras have traditionally found it difficult to penetrate this market with arguments such as superior image quality and improved functionality.

During the spring of 2011, work was initiated on developing a network camera that directly targets stores, smaller offices and hotels. The clear objective was to meet the market's need for a solution that combines the technical benefits of network video with simplicity and cost efficiency.

The first step was to gather information from partners and end customers in order to best meet market needs in terms of functionality, shape factors and user-friendliness. With market needs as a starting point, three clear focus areas were identified that dominated the entire development process; simplicity during installation, camera design and cost efficiency.

Petra Bennermark, Product Manager, explains: "Our close dialogue with partners gave us a clear view of what type of product would work for each specific customer group. An important factor was that the camera should be small. We looked carefully at the existing product portfolio and the technology available. It became obvious that the small size of the camera required both new technology and mechanics in order to function optimally. Of course it was a challenge to successfully develop a product that would meet the

technical specifications while maintaining a competitive retail price."

A working group with responsibility for creating product specifications as well as production requirements worked on the project for a period of one year. In total, 25 people were involved in various roles during the process, which was characterized by prompt decisions, keen perception, and a shared conviction about the project's success.

In July 2012, the release took place of Axis M3004-V and M3005-V network cameras. Sales since then have exceeded all expectations and the cameras are today among Axis' most sold products. Demand has continually increased in all regions and internal sales forecasts continue to be surpassed. Key success factors include:

- > Simplicity during installation
- > User-friendliness
- > Superior image quality and HDTV
- > Market-adapted design

Marie Hantelis, Project Manager, says "the release of the AXIS M30 series demonstrates our strength when it comes to continually improving and developing the offering. It was certainly a challenge from many aspects, but with this network camera we have managed to create a market need. We should be very proud of the flexible and effective internal work and also of the end product. We had a clear vision through the entire process, which resulted in a solution, which surpassed all the set targets."

This success was followed by refinement of the offering. Larger models have been released featuring better performance such as 360° overview surveillance and the possibility of outdoor surveillance. Meanwhile, Axis is increasing its range of installation accessories and other equipment in order to strengthen the overall offering.



ve

“ The release of the AXIS M30 series demonstrates our strength when it comes to continually improving and developing the offering.



Chall

AXIS Camera Companion – Challenges established solutions and creates new needs.

Axis estimates that network video has only managed to penetrate around 10 percent of the market for small installations, which generally refers to camera systems with up to 16 cameras. A contributory reason for this has been the historically lower cost for installation of analog surveillance systems. By combining technological expertise and new conceptual thinking, AXIS Camera Companion in a short time has successfully created new conditions on a previously conservative part of the market.

During the spring of 2012, AXIS Camera Companion was released with the declared aim of challenging analog surveillance solutions in smaller surveillance systems. The objective was to develop a solution with user-friendliness and simplified installation in focus. The result was a unique concept, which is based on free downloadable software and Axis' network cameras. Each individual camera functions as an intelligent and independent unit for recording and analysis of video material.

Since the launch, a close dialogue has been conducted with partners and end customers in order to continually evaluate and improve all parts of the offering.

Göran Haraldsson, Product Manager for AXIS Camera Companion, says: "our close collaboration with integrators means that we can quickly take account of market reactions and continue to develop and improve the offering. During 2013, we mainly focused on simplified system installation and remote access using smartphones and Internet tablets. Meanwhile, new cameras are being continually developed that meet the design and functionality requirements in the best possible way."

Haraldsson continues: "the big challenge in small systems is still to drive the technology shift from analog systems to network video surveillance. We have received lots of very positive reactions to AXIS Camera Companion and the advantages, such as HDTV, increased scalability and user-friendliness are obvious compared to analog solutions."

Today the main drivers are the need for better image quality and simplified use. Meanwhile, we are already aiming to meet future demands for increased functionality and to further simplify things that are today considered to be complex.

To date, AXIS Camera Companion has received over 140,000 downloads and there is a very strong trend in respect of demand. The ability to dare and the willingness to challenge established solutions and create new possibilities is a critical success factor for both Axis as a company and for the network video market. AXIS Camera Companion is a clear demonstration of the ambition to create new conditions in the market through innovative thinking.



enge

“ The big challenge in small systems is still to drive the technology shift from analog systems to network video surveillance.



Inn

“ We shall continue
to challenge and
surprise.”

ovate

The ability to think outside the box.



Axis' entire culture and ambitions are dominated by advancing the trend and by seeking new solutions. Today some 25 people work within New Business, a department that concentrates on thinking outside the box while using the strong partner network as well as network technology knowledge.

In September 2013, the Axis A1001 was unveiled, an offering for access control and Axis' first product outside the video surveillance field.

The work on developing an access control solution was underway for long time. The first proposal was already presented in early 2009. After a close and constructive dialogue with partners, the final decision was taken in 2011 to initiate development of today's solution. During the process continual support was secured from system integrators and software developers in order to verify that the product would meet the requested needs and expectations.

Ola Jönsson, Business Development Manager at New Business, says: "since approximately 80 percent of our partners' inquiries relate to video surveillance as well as access control, it was natural to take this step. We have both the knowledge and the right channels to the market. Meanwhile, we want to offer something new and change the rules of the game in a market that has developed relatively slowly in recent years."

Axis' solution is the first network product in access control that is built on an open platform and enables the customer to choose the absolute best suited system in each installation. Previously, the market was dominated by proprietary overall solutions that complicated customized systems as well as integration with other installations, such as video surveillance, for example.

The main advantages of Axis' offering are:

- > Smoother integration with other systems
- > Customized solutions depending on complexity and other requirements

- > Increased reliability as each door control functions as a separate unit
- > Lower installation cost as well as operating/maintenance cost

Jönsson says: "we used the knowledge of what made us successful in video surveillance. By using network functionality, we reduce the cost of dedicated cabling and other infrastructure. Meanwhile, we create the possibility of being able to choose the absolute best solution depending on the customer's specific requirements. We have aware for a long time that such solutions were lacking in the access control market."

While Axis A1001 is targeted towards larger installations such as hospitals and airports, characterized by adaptation and complexity, the product is also offered with embedded software for smaller installations.

Jönsson explains: "Today there are very few solutions adapted for smaller installations. The average installation is only 10 doors. This has meant that smaller systems have had to install and pay for solutions designed for large installations. We want to change this. Thanks to integrated software, network systems and the fact that you can just add as many door controls as you need in the system, use and installation are simplified considerably.

The initiative is an important step in the work on continued release of new innovative network solutions, both in video surveillance and entirely new business areas. Meanwhile, the Axis A1001 is broadening the offering towards partners and is strengthening the position as a comprehensive supplier.

Jönsson concludes: "We shall continue to challenge and surprise. We are continually looking at new products and business areas. Meanwhile, we are careful to do this in our own way, to change the rules of the game through innovation and offer the market new and unique solutions."

Efficiency and flexibility

Ambitious goals for product quality and delivery security have been central factors in Axis' business since the company's inception. Partners and end customers should be able to depend on the right products being delivered on time, in the promised condition and that meet or exceed expectations in terms of reliability, use and functionality. A well-structured and flexible process throughout the entire production and logistics chain is a critical factor in meeting these requirements.

Flexible production structure

Manufacturing of Axis' products takes place at selected contract manufacturers in strategically chosen geographical areas. Production currently takes place at six different units in Mexico, Thailand, China, Korea, Slovakia and Poland. A good spread of production units means proximity to markets, diversification of risks and shorter delivery times. Each product is manufactured at at least two of the units in order to be able to guarantee deliveries as far as possible in the event that a production unit is affected by a disruption or shutdown. Demand for Axis' products is growing at a rapid rate and it is critical that subcontractors have the capacity to increase production and handle rising volumes. There is an ongoing production shift from smaller units to larger suppliers in order to secure future capacity needs. The strategy to account for more than 5 percent but less than 25 percent of each production unit's sales gives Axis production flexibility while ensuring a strong commitment from both parties.

Long-term commitment

Working with subcontractors that can handle future volume increases, secures more than just production capacity. It is also about building long-term relationships, commitment and exchange of knowledge. A deep insight into production chain players ensures that reliable production planning and forecasting can be done in good time both today and for the future. Loyalty and improved mutual understanding benefit both Axis' collaboration with the supplier and the relationship with partners and end customers. Thanks to built-in risk management and continual evaluation of the entire value chain, Axis is well-equipped to handle possible disruptions and to secure product and delivery requests.

Close to end customer

During the year, two new configuration centers were established in Memphis and Shanghai. These centers supplement the existing configuration units in Atlanta, Lund, Budapest and Prague very well. Final assembly of the products closer to end customers reduces delivery times, the risk of transport disruptions and environmental impacts. As part of Axis' ambition to work close to the market, regional configuration centers also contribute to more efficient product adaptations to local rules and needs.

Demanding and correct

The watchword for Axis' cooperation with suppliers is to be a demanding and correct partner. The relationships are developed by:

- > Taking shared responsibility
- > Mutual demands
- > Participation throughout the entire process
- > Continual evaluation and quality assurance
- > Shared ambition to continuously improve



ity

Local configuration centers reduce delivery times, the risk of transport disruptions and environmental impacts.



As the clear market leader, Axis has the ambition to drive the growth of network solutions and create a safer and more secure society. A crucial factor in order to realize this ambition is committed employees, who through passion, knowledge and experience are strong culture bearers both internally and externally. Axis' strong corporate culture is a unique asset.

Commitment and open

For a knowledge-driven company, employees are the key to the continued ability to develop and deliver leading solutions to customers. Innovations are created by combining a market insight with technological expertise. The employees' motivation, competencies and exchange of knowledge are critical factors in order to identify opportunities, think outside the box and execute a project from concept to delivery. Success comes through developing and taking advantage of the existing strengths in the company by building a culture based on collaboration, taking responsibility, communication and innovative thinking.

Firmly established culture

Since 2009, the number of employees has more than doubled. During this expansionary phase, strong focus has been devoted to strengthening and firmly establishing the corporate culture. All employees have received training in Axis' core values during 2013. Communicating fundamental values, promotes a dynamic workplace in a rapidly growing organization with employees of different backgrounds. All new employees participate in a week-long introductory training program at the headquarters in Lund. In meetings with senior executives from all corporate functions, cultural values and overall goals are communicated. A strong corporate culture is about strengthening individual commitment, but also contributes to increased collaboration between different business areas, functions and local offices. Ultimately, it is about increasing customer value, by creating a strong offering where collaboration between different competencies results in new and innovative solutions.

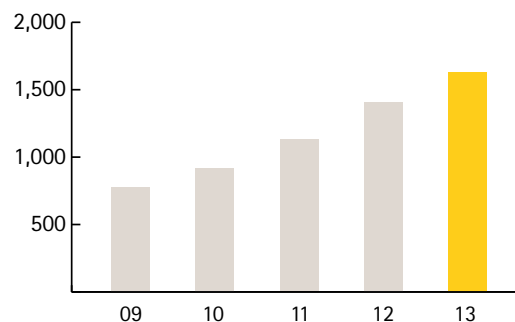
Growth through diversity

Global expansion, increased competition and rapid industry development impose requirements in terms of attracting and retaining skilled personnel. With its global presence, diversity is a natural part of Axis, and a driver of innovation as well as a source of competitiveness and profitability. The different cultural backgrounds, unique perspectives and local knowledge of employees helps customers to get the most out of Axis' global network. Through keen perception and understanding of regional needs, the company's market position is strengthened around the world. During the year, the HR function has been built up at the regional offices in order to get closer to the local labor market. Clear values connect the rapidly growing organization and promote a stimulating workplace and dynamic business partners.

Employees of the future

To secure the competency requirements of the future, close collaboration is pursued with universities and colleges both in Sweden and abroad. Together with research groups and academic institutions, Axis strives to promote knowledge within relevant fields such as technology and software development. Axis currently co-finances two separate research projects at Lund University, focused on development of the global security industry and how various technological strategies drive corporate business activity. Students are offered the opportunity to do practical training as part of their course work. Practical training is an important part of the recruitment work that offers both parties the opportunity for mutual evaluation and leads to employment in many cases. Together with colleges, the

Number of employees 2009–2013



Employees in numbers

| | 2013 | 2012 | 2011 |
|--|-------|-------|-------|
| Number of employees globally | 1,627 | 1,403 | 1,127 |
| Women | 441 | 373 | 294 |
| Men | 1,186 | 1,030 | 833 |
| Average age | 38 | 38 | 37 |
| Employee turnover, % (persons who left the company) | 5.8 | 5.5 | 7.2 |
| Employees with university degree, % | 80 | 78 | 76 |

ness

business community and politicians, Axis works within a number of regional networks with the aim of boosting the attractiveness of the Öresund region.

A learning and stimulating organization

Motivated employees are a critical factor in developing as a company. Axis attaches great importance to promoting and encouraging personal development and describes internal career paths. Continuous assessment gives employees the opportunity to set personal goals and to perform based on their abilities. This aims to support and develop employees in their career for future assignments in the company. Internal recruitment ensures competencies, while employee mobility is encouraged within the company. The IP@Axis initiative aims to give employees the chance to work on projects in other countries. A large part of this learning takes place internally. It is thus critical that new knowledge is used effectively and spread throughout the organization. Exchanging duties across departmental and country boundaries helps to develop employees and gives them a better insight into complex flows of products and services. Exchange of information occurs within the entire company and at all levels.

A good employer

Offering a secure and equal working environment is something natural. Axis complies with the industrial relations legislation in force in the countries where the company operates and imposes the same requirements on subcontractors and partners. All employees have the right to join trade unions and if desired to bargain collectively in accordance with local regulations and



applicable conventions. An evaluation tool has been implemented for the purpose of comparing the relationship between the basic salaries of men and women and different occupational categories. Axis' Code of Conduct stipulates that all employees are expected to promote, contribute to and uphold the company's values, integrity and responsibility. The company applies zero-tolerance in relation to insults, discrimination and corruption and works to promote diversity and equality.

Good preventive health promotion efforts and safe working conditions are a central part of this work. Absence due to illness in the Swedish operations remained low during the year and amounted to 2 percent (2.0).

Sustainability

Sustainability is an important and natural part of Axis' operations. Axis takes long-term responsibility in relation to customers, partners, employees and suppliers, as well as social and environmental responsibility. Corporate responsibility is exercised through corporate governance, environmental considerations, social responsibility and business ethics. As market leader, Axis acts from a position of strength and has good opportunities to influence those around it when it comes to sustainability issues.

Axis' overall goal is to consider sustainability through the entire value chain and thus strive to minimize its climate impact, work for good working conditions and fight corruption and violations of human rights.

Environmental considerations throughout the entire value chain

Axis works to minimize the direct and indirect environmental impact of its operations. Axis makes continuous efforts to limit its climate impact and to offer sustainable network video products and solutions, by optimizing product packaging in order to reduce freight volume and thereby lower carbon dioxide emissions during transports. For example, the packaging of the Q60 series has been reduced by 48 percent compared to the previous box design.

Axis' goal is to reduce its carbon dioxide emissions by 20 percent by 2016, compared with 2010. An important aspect of this work is to optimize logistics flows by choosing suppliers as close to the market as possible and to the greatest extent possible use freight by boat and truck instead of air cargo. The environmental work also includes reviewing the choice of materials in order to as far as possible work with environmentally friendly and recyclable alternatives. During the year, PVC plastic was phased out in parts of the product portfolio.

Business ethics in all stages

Axis aims to ensure that all business relationships are handled in a responsible, transparent and credible way. The company has zero tolerance against all types of corruption, and has initiated a comprehensive program aimed at countering corruption, bribes and conflicts of interest. During 2013, a comprehensive program was implemented in order to counter corruption, bribes and conflicts of interest. The program includes a new anti-corruption policy, a training program for all employees and a supplementary agreement for all distributors.

Axis complies with the guidelines from the UN's Global Compact as well as export control regulations. Axis also has a Business Ethics Policy (and a Business Ethics Council) in order to ensure that all business is conducted in a responsible manner.

Safety and security in society

Axis develops products and solutions for a smarter, safer and more secure world where countries and companies can provide security to their citizens, employees and customers. Security cameras help to prevent and clear up crime to a large extent. Axis has an indirect sales model, which means that the company sells to distributors, that in turn sell to resellers and system integrators, that sell to end customers. This means that the end customer is not always known to Axis, but Axis carefully selects its partners, and informs its partners with the aim of ensuring that its products are used correctly.



Long-term social responsibility

The corporate culture is an important factor behind Axis' success and the company is extremely careful during recruitment and takes care of its employees. Axis' Code of Conduct establishes the values and guidelines on which Axis conducts its operations and that all employees comply with, in all business-related situations.

Axis also informs its partners about the company's sustainability work and the expectations that they should act in accordance with Axis' Code of Conduct. Axis' suppliers have to sign and comply with Axis' Supplier Code of Conduct, which incorporates business ethics requirements in accordance with the principles of the UN's Global Compact.

In 2007, Axis joined the UN's Global Compact, which means that Axis observes ten principles relating to human rights, labor, environment and anti-corruption. Axis has produced sustainability reports for its operations each year since 2010 and reports according to GRI (Global Reporting Initiative), Level C. Axis complies with the Swedish Code of Corporate Governance in its capacity as a listed company on NASDAQ OMX Nordic.

The company's work on these questions is reported in Axis' sustainability report. Information is also available on www.axis.com where the report is published.



Strong price

During 2013, Axis' share rose by 26 percent. The total yield for the year was 30 percent. From and including 1 January 2013, Axis is part of the Large Cap segment on NASDAQ OMX Nordic. Axis was listed on the Stockholm Stock Exchange's O list in 2000.

The share's development in 2013

During 2013, Axis' share performed better than the stock exchange as a whole. The total market capitalization at year-end was SEK 15,545 M (12,329). The final price paid on December 31, 2013 was SEK 223.80 (177.50). The highest market price, SEK 250.80, was recorded on November 29. The lowest market price of the year, SEK 155, was recorded on January 30. The average price of the share during 2013 was SEK 185.6 (163). During the year, 32 million (40) shares were traded, which corresponds to an average turnover of 128,275 shares per trading day, at a value of SEK 24 M. The annual turnover rate amounted to 46 percent of the total number of shares.

Total yield

Total yield refers to the real performance of an equity investment and consists of alteration in price including reinvested dividends. The total yield for 2013 was 30 percent. The average annual total yield has amounted to 35.7 percent during the past five years.

Ownership

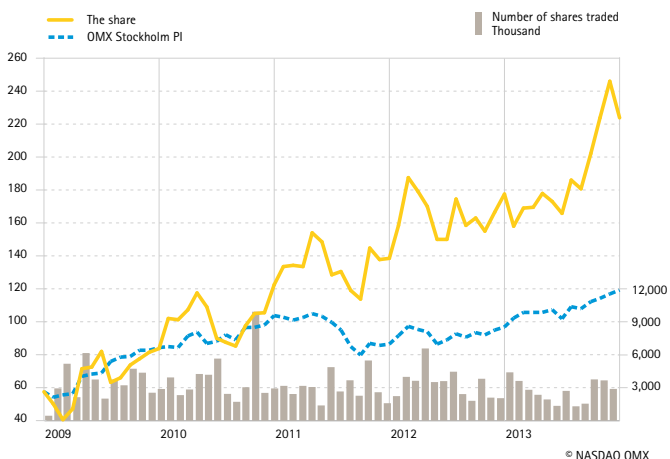
At year-end, Axis had 69,461,250 outstanding shares distributed among 18,236 (17,680) registered shareholders. The share of Swedish-resident shareholders was 95.62 percent (17,438 persons), with a combined shareholding of 81.07 percent. The number of shareholders resident outside of Sweden was 4.38 percent (798 persons), representing a combined shareholding of 18.93 percent. The largest owner countries outside Sweden were the UK, USA and Ireland. The share of foreign ownership is essentially unchanged compared to the previous year. Axis' corporate structure consists of one class of stock where each share carries the same number of votes per share and provides the same right to dividend.

The largest owners at year-end were Christer Brandberg (Inter Indu) followed by Therese Karlsson (LMK Industri), and Martin Gren (Grenspecialisten). The combined holdings of the ten largest owners represented 57.2 percent of the total number of shares. No new major owners have emerged during the year.

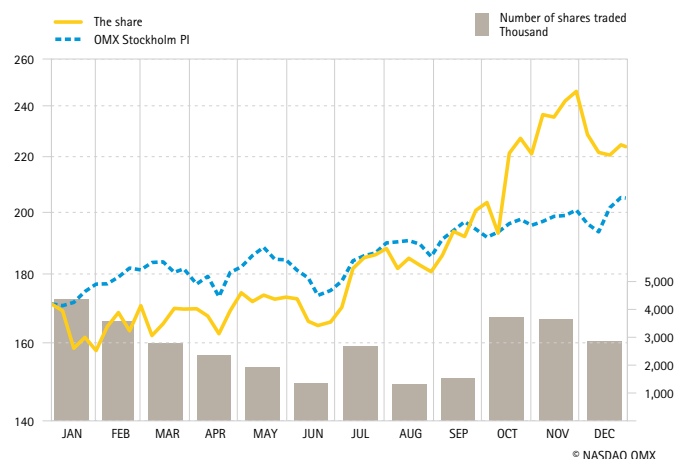
Dividend and dividend policy

Axis' dividend policy is to declare a dividend that corresponds to approximately one third of the profit for the year after tax. In recent years, Axis has had a rate of dividend of more than 30 percent. The board of directors proposes a dividend of SEK 5.50 (5.00) per share for the 2013 fiscal year, of which SEK 3.00 constitutes an extra dividend.

Axis share price trend 2009–2013



Axis share price trend during 2013



trend

Employee stock option program

Axis has no outstanding stock option programs.

Financial information

Axis' ambition is to continually provide the financial market, owners and other stakeholders with correct, consistent and relevant information with the aim of increasing understanding of the company. Financial information is mainly provided in interim reports, year-end reports and annual reports. Major business transactions are communicated via press releases to the media, capital market and other stakeholders. The published interim reports and the annual report are distributed to shareholders upon request.

Press releases, interim reports and year-end reports are available on the company's website www.axis.com in Swedish and English in accordance with the regulations of the stock exchange.



Johan Lundin
Manager Investor Relations

Analysts

A number of analysts follow and analyze Axis' share. They are:

| | |
|-------------------------------|-------------------------------------|
| ABG Sundal Collier | Anders Hillerborg |
| Carnegie | Mikael Laséen |
| Danske Bank | Mikael Holm |
| Enskilda Securities | Johanna Ahlqvist / Andreas Joelsson |
| Handelsbanken Capital Markets | Fredrik Lithell |
| Nordea | Daniel Djurberg |
| Pareto Securities | David Jacobsson Cederberg |
| Redeye | Greger Johansson |
| Swedbank | Håkan Wranne |

Shareholders December 30, 2013

| | Number of shares | Share capital (%) |
|--|-------------------|-------------------|
| Christer Brandberg, via Inter Indu AB* | 10,066,667 | 14.49 |
| Therese Karlsson, via LMK Industri AB | 10,000,000 | 14.40 |
| Martin Gren, via Grenspecialisten AB | 7,357,471 | 10.59 |
| Swedbank Robur Fonder AB | 3,257,240 | 4.69 |
| Didner & Gerge Fonder AB | 2,025,000 | 2.92 |
| Total 5 largest shareholders | 32,706,378 | 47.09 |
| Other | 36,754,872 | 52.91 |
| Total | 69,461 250 | 100.00 |

* Not including private ownership of 90,290 shares.

Ownership December 30, 2013

| Holding | Number of shareholders | Number of shares | Holding, (%) | Votes (%) | Market value (SEK '000) |
|---------------|------------------------|-------------------|--------------|--------------|-------------------------|
| 1-500 | 14,206 | 2,190,356 | 3.15 | 3.15 | 490,202 |
| 501-1,000 | 2,058 | 1,751,331 | 2.52 | 2.52 | 391,948 |
| 1,001-5,000 | 1,462 | 3,367,236 | 4.85 | 4.85 | 753,587 |
| 5,001-10,000 | 218 | 1,630,295 | 2.35 | 2.35 | 364,860 |
| 10,001-15,000 | 64 | 795,643 | 1.15 | 1.15 | 178,065 |
| 15,001-20,000 | 38 | 689,167 | 0.99 | 0.99 | 154,236 |
| 20,001- | 190 | 59,037,222 | 84.99 | 84.99 | 13,212,530 |
| Total | 18,236 | 69,461,250 | 100.0 | 100.0 | 15,545,428 |

Trend in share capital

| Year | Number of shares | Nominal amount (SEK) | Share capital (SEK) |
|-------------|-------------------|----------------------|---------------------|
| 2000-2004 | 68,900,000 | 0.01 | 689,000 |
| 2005 | 68,925,000 | 0.01 | 689,250 |
| 2006 | 69,252,700 | 0.01 | 692,527 |
| 2007 | 69,372,200 | 0.01 | 693,722 |
| 2008 | 69,373,700 | 0.01 | 693,737 |
| 2009 | 69,375,700 | 0.01 | 693,757 |
| 2010 | 69,461,250 | 0.01 | 694,612 |
| 2011 | 69,461,250 | 0.01 | 694,612 |
| 2012 | 69,461,250 | 0.01 | 694,612 |
| 2013 | 69,461,250 | 0.01 | 694,612 |

Per-share data

| | 2013 | 2012 |
|--|--------|--------|
| Profit after financial items, SEK | 9.17 | 8.19 |
| Cash flow, SEK | -1.83 | 0.57 |
| Shareholders' equity, SEK | 13.49 | 11.66 |
| Share price at end of period, SEK | 223.80 | 177.50 |
| Price/equity, percent | 1,659 | 1,522 |
| Dividend, SEK | 5.00 | 5.50 |
| P/E ratio | 32 | 29 |
| P/S ratio | 3.30 | 2.95 |
| Number of outstanding shares (thousands) | 69,461 | 69,461 |
| Average number of shares, (thousands) | 69,461 | 69,461 |





The Board of Directors and President submit the following financial statements and consolidated financial statements for the fiscal year January 1, 2013–December 31, 2013.

Unless otherwise stated, all amounts are in SEK millions. Information in parenthesis refers to the preceding year.

Contents

| | |
|--|----|
| Administration report | 44 |
| Consolidated statement of comprehensive income | 48 |
| Consolidated balance sheet | 49 |
| Consolidated statement of changes in equity | 50 |
| Consolidated cash flow statement | 51 |
| Parent company income statement | 52 |
| Parent company statement of comprehensive income | 52 |
| Parent company balance sheet | 53 |
| Parent company statement of changes in equity | 54 |
| Parent company cash flow statement | 54 |
| Notes | 55 |
| Signatures | 68 |
| Audit report | 69 |
| Multi-year summary | 70 |
| Quarterly data | 72 |
| Definitions | 73 |
| Corporate governance report | 74 |
| Board of Directors and Auditors | 81 |
| Management team | 82 |
| Glossary | 84 |
| Invitation to the Annual General Meeting | |
| Financial information 2014 | |

Administration report

Operations

Axis is the market leader in network video and a driver of the shift from analog to digital video surveillance, enabling a smarter, safer, more secure world. The company offers network video solutions for professional installations, including products and solutions based on innovative and open technology platforms.

Axis is an international company, which acts globally with its own employees in 44 countries and through collaboration with partners in more than 170 countries. Founded in 1984, Axis is listed on NASDAQ OMX Stockholm, under the ticker AXIS. For more information about Axis, please visit www.axis.com.

Significant events

During the year, the network video market continued to grow at the same rate as 2012, driven by the technology shift from analog to digital solutions, among other factors. Despite macroeconomic problems in a number of countries, demand for network video products was still good. The market trend during 2013 was in line with the expectations at the start of the year. The growth rate in the market is estimated to have amounted to approximately 15 percent while the long-term rate is in the magnitude of 20–25 percent. Based on currency-adjusted sales growth of 17 percent, Axis thus should have maintained its market shares. During 2013, IMS Research presented its yearly report on developments in the global market for video surveillance equipment. In the report, Axis is ranked number 1 in the broad Video surveillance cameras category, based on market shares. Since 1996, Axis has held first place in the subcategory Network cameras. The market presence was strengthened by reinforcing sales resources with the company's own employees in both established and new geographical markets. Axis has continued to pursue geographically diversified recruitment where sales people operate from "home offices" both in established and emerging markets.

A high rate of product development continued throughout 2013. Several new innovative products featuring better performance and enhanced intelligence were introduced and were positively received by the market. In total, more than 36 new models and a number of variants of existing models were released. After more than 15 years since the release of the first network camera, the rate of innovation is still high, even within direct camera-related functions, such as image quality. The work on ensuring continually improved image quality is constantly ongoing. During the year, the Axis Q1614 and Axis Q1614-E network cameras were released, allowing identification in very challenging light conditions. By being able to handle strong light as well as dark environments, the cameras are ideal for traffic monitoring, city surveillance and industry, for example. In addition, the Axis P5414-E PTZ was also released during the spring, which is the first in a new series of pan-tilt-zoom cameras adapted for outdoor use. Few mechanical and adjustable parts make the camera more flexible and easier to install. A new advanced product, the Axis Q7436, was released in the Video encoder product area, which enables integration of large analog installations into network systems. The product supports intelligent applications and cloud-based data storage.

Demand for the digital HDTV-solution, AXIS Camera Companion, ACC, which is mainly intended for smaller surveillance systems, developed favorably during 2013. The solution is very easy to install and use. It is based on network cameras and video encoders with support for SD cards, which can independently administer video recording and storage. The system also features a free software client, which is used for installation and for processing the image material. The market for smaller systems is still dominated by analog technology, which means that there is strong growth potential in this segment.

During the year, Axis' first solution for access control systems was introduced – the Axis A1001. By taking advantage of technological knowledge and the partner network, the first IP system in the market featuring an open platform for access control was launched in September.

The interest in network video is well spread over a number of sectors and fields of application. During the year, several interesting deals were completed with major chain stores, public authorities and within the transport sector. The close collaboration with partners, distributors, resellers and application developers continued during 2013. Within the partnership programs, the members were trained in the benefits of network video in general and Axis' product range in particular. At the end of the year, over 65,000 companies were part of the various partner programs.

Sustainability and environment

Axis has adopted an overall environmental policy with the aim of reducing the environmental impact of its operations and products. The goal of the environmental policy is to ensure that the company supplies products and solutions in an efficient and environmentally low-impact way, and that legal obligations and environmental regulations are complied with. Axis continually evaluates its operations and products in order to increase its knowledge of their environmental impact. In recent years, life cycle analyses were carried out on several of the products. The analyses show that a considerable part of the environmental impact during the lifecycle of the products is related to their energy consumption during use in the final installations. Great importance is thus attached in the development process to designing products, which offer good energy performance. A clear result of the environmental work is that it has been possible to reduce the products' energy consumption over time even though performance and functionality have increased considerably. The products have also been designed in a more compact way, which reduces material usage and transportation volumes.

In 2007, Axis signed the United Nation's Global Compact, which means that Axis complies with ten principles in the areas of human rights, labor, environment and anti-corruption. Axis complies with global export control regulations and also has established a Business Ethics Policy and a Business Ethics Council in order to ensure that all business is conducted in a responsible and correct manner. Each year since 2010, a separate sustainability report has been compiled for the operations, including a special account where Axis reports according to GRI (Global Reporting Initiative), Level C.

Research and development

During 2013, 16.2 percent (14.6) of the group's sales were invested in research and development within both hardware and software. Research and development expenditure increased by SEK 129 M (112) compared to the preceding year and amounted to SEK 709 M (580). Expenditure on development work totaling SEK 57 M (30) was capitalized during the year. The capitalization principle is described further in Note 2 to the financial statements. Axis' technology is based on the internally-developed ASIC (Application Specific Integrated Circuit) platforms, which are at the heart of Axis' products. The ARTPEC chips are optimized for effective image processing and image compression and are found in the majority of Axis' products. In conjunction with Axis' software platforms, they form a very flexible technology base on which world-leading products can be developed, rapidly and cost effectively. Work on development of future generations of ARTPEC continued during 2013.

Axis conducts an active patent strategy in order to safeguard investments in core technology and intellectual capital. During the year, applications for 6 new design families and 30 new patent families were filed, chiefly related to camera technology. During 2013, 38 national patents and a number of registered designs were granted. Axis currently holds 175 active patent and registered design families.

Research efforts are focused on four strategic areas at present: image quality, image analysis, system solutions and network security. Long-term technological development is conducted in-house in all these areas. Research is largely carried out as an industrial undertaking in various national and local research programs.

Personnel

The recruitment rate was slightly lower than in 2012. At year-end, the number of employees totaled 1,627, which represents a net increase of 224 people since December 31, 2012. Most of the increase took place in sales and marketing as well as in research and development. Of the employees, 967 (866) are employed in Sweden and 660 (537) in other countries.

Financing and cash flow

Axis had a total of SEK 838 M at its disposal on December 31, 2013, of which cash and cash equivalents amounted to SEK 338 M and unutilized credit facilities totaled SEK 500 M. Consequently, Axis is in a very strong financial position approaching 2014. The cash flow from operating activities amounted to SEK 478 M (361). The strong cash flow was mainly due to the favorable operating profit. The continued expansion during 2013 impacted working capital negatively by SEK 90 M (-56), net. Inventories and other current receivables increased by SEK 101 M and SEK 120 M respectively, while current liabilities increased by SEK 130 M. The increase in other current receivables was largely due to increased trade receivables driven by a general increase in sales and a relatively large share of sales late in the fourth quarter. Net investments for the year totaled SEK 117 M (79) and total cash flow amounted to SEK -127 M (40) after dividend paid of SEK 347 M and amortization of liabilities of SEK 140 M.

Investments

Investments in property, plant and equipment amounted to SEK 61 M (45), and in intangible assets to SEK 57 M (30). Net investments for the year according to the consolidated cash flow statement amounted to SEK 117 M (79).

Change in control clause

Agreements that the company is party to and which take effect or change or cease to be valid if the control over the company changes as a consequence of a public takeover bid or agreements of such a nature that a disclosure would be likely to harm the company, do not exist.

Long-term goals

Axis has two long-term financial goals:

- > total average annual sales growth of at least 20 percent and
- > a profit margin of at least 10 percent.

Earnings and position

Sales during the year totaled SEK 4,717 M (4,184) which represented growth of 13 percent compared to the preceding year. Currency effects impacted sales negatively by SEK 170 M. Sales in the Video product area, which accounts for more than 99 percent of sales, increased by 13 percent from SEK 4,158 M to SEK 4,708 M while other sales decreased by 65 percent to SEK 9 M. Gross margin rose due to a favorable product mix and positive currency effects but continued to remain at essentially the same level as the preceding year and amounted to 51.5 percent compared to 50.3 percent in 2012.

The group's operating profit amounted to SEK 640 M (575), which is an increase of SEK 65 M (11 %), compared to the preceding year. Operating margin amounted to 13.6 percent compared to 13.8 percent in 2012. Currency effects impacted operating profit negatively by SEK 44 M. Profit before tax amounted to SEK 637 M (569), which represented an increase of SEK 68 M compared to the preceding year.

Condensed income statement, SEK M

| | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | TOTAL 2013 |
|--------------------------|------------|------------|------------|------------|---------------|
| Net sales, SEK M | 981.5 | 1,114.4 | 1,322.4 | 1,298.5 | 4,716.8 |
| Gross profit, SEK M | 505.3 | 568.1 | 696.2 | 660.6 | 2,430.2 |
| Gross margin, % | 51.5 | 51.0 | 52.6 | 50.9 | 51.5 |
| Operating profit, SEK M | 89.3 | 126.5 | 258.4 | 166.0 | 640.3 |
| Operating margin, % | 9.1 | 11.4 | 19.5 | 12.8 | 13.6 |
| Profit before tax, SEK M | 88.1 | 125.9 | 257.6 | 165.5 | 637.2 |
| Profit margin, % | 9.0 | 11.3 | 19.5 | 12.7 | 13.5 |

Group key ratios

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---------|---------|---------|---------|---------|
| Net sales, SEK M | 4,716.8 | 4,183.5 | 3,577.6 | 2,933.0 | 2,300.7 |
| Profit before tax, SEK M | 637.2 | 568.8 | 631.0 | 412.8 | 306.7 |
| Total assets, SEK M | 1,942.9 | 1,696.1 | 1,539.6 | 1,216.8 | 1,076.0 |
| Equity/assets ratio, % | 48.2 | 47.7 | 49.9 | 51.5 | 56.5 |
| Return on total assets, % | 35.2 | 34.7 | 44.9 | 35.5 | 31.8 |
| Return on equity, % | 56.9 | 53.1 | 66.6 | 49.3 | 43.2 |
| Earnings per share before dilution, SEK | 6.89 | 6.15 | 6.56 | 4.32 | 3.10 |
| Earnings per share after dilution, SEK | 6.89 | 6.15 | 6.56 | 4.32 | 3.10 |
| Shares before dilution, thousands (average) | 69,461 | 69,461 | 69,461 | 69,406 | 69,374 |
| Shares after dilution, thousands (average) | 69,461 | 69,461 | 69,461 | 69,406 | 69,423 |
| Number of employees at year-end | 1,627 | 1,403 | 1,127 | 914 | 774 |

Definitions are presented in Note 29.

Proposal regarding principles for determination of salaries and other remuneration to the President and other members of the company management

The board proposes the following principles for determination of salaries and other remuneration to the President and other members of the company management. The guidelines shall apply to employment contracts entered into pursuant to the general meeting's resolutions and guidelines, and in cases where changes are made to existing terms and conditions according to resolutions of general meetings. The guidelines essentially correspond to the principles that have been applied to date. For information regarding terms of remuneration for 2013, please refer to Note 20, Personnel.

Remuneration to the President and other members of the company management (that is, the eight persons who together with the President comprise the group management) may consist of basic salary, variable remuneration and pension. Other benefits and other remuneration shall be received on the same basis as for other employees. Persons who are resident outside of Sweden may be offered notice periods and termination benefits that are competitive in the country where the persons are or have been resident or to which they have a substantial connection, preferably solutions equivalent to what applies for managerial employees resident in Sweden.

The objective of Axis AB's remuneration policy for senior executives shall be to offer compensation that promotes retaining and recruiting qualified expertise to the company. The basic salary shall be determined on the basis that it should be competitive. The absolute level shall depend on the specific position and the individual's performance.

Variable remuneration (bonus) to the President and other senior executives shall be based on the financial goals of the group and shall be calculated as a function of the sales growth and the operating margin for the year in question. The bonus to the President shall be maximized at 240 percent of the annual salary (for 2014) and for the other senior executives, the highest individual bonus amount shall be maximized at 80 percent of the annual salary (for 2014).

The retirement age for the President shall be 65. Pension insurance premiums shall amount to 35 percent of the pension-qualifying salary up to a maximum of 28.5 basic amounts. For a salary in excess of 28.5 basic amounts, a premium of 25 percent shall be paid. The ITP agreement shall be applied for other senior executives, with a retirement age of 65.

In the event of termination of employment, a six-month mutual notice period shall apply for the President. In the event of termination of employment of the President by the Company, termination benefits corresponding to up to twelve cash monthly salaries may be paid after the end of the notice period. In the event of termination by the President, no termination benefits shall be payable. A mutual notice period of three to six months shall apply between the company and the other senior executives. In the event of termination by the company, termination benefits corresponding to six cash monthly salaries can be paid. In the event of termination by any of the senior executives, no termination benefits shall be payable.

Deviations from the principles described above may be approved by the board of directors, if there are specific reasons in individual cases.

Material risks and uncertainties

Axis is an international group with operations and customers all over the world and is thus exposed to a number of different risks in its everyday operations. The risk management at Axis aims to minimize the risks but also to ensure that opportunities are utilized in the best way in order to facilitate a continued rapid expansion of the operations.

Axis' risks can be principally divided into external risk, business risk and financial risk. The work of managing and adapting to the risk exposure that the group is subject to continues on an ongoing basis.

- > External risk is primarily handled at a group management and board level.
- > Business risk is mainly handled at a group management and regional manager level.
- > Management and coordination of financial and insurable risks is mainly carried out by the group's finance department.
- > Function-specific risks in the company-wide functions, Finance, IT/systems, HR and Operations are handled and coordinated within each function. Risks in the legal area are handled by Axis' specialists in cooperation with external lawyers and advisors.
- > The exposure to intellectual property risk in the patents area is managed by Axis' specialists, in collaboration with external lawyers and advisors. To date, a few disputes concerning patent infringement have been discussed, however, these have not had any material consequences for Axis.

The risks described below are not ranked in relation to one another and the account does not claim to be complete.

External risk

Axis is impacted by global macroeconomic trends, like the majority of multinational companies. 2013 was dominated by macroeconomic problems in a number of regions. Despite this, the investment capabilities of Axis' customers have still not been affected to a corresponding degree. Since the macroeconomic trend is still uncertain, there is a risk that this may subsequently lead to financing problems for Axis' customers with deferred sales as a result. Axis works on the basis of detailed monthly sales forecasts

and carefully monitors global trends in order to take necessary measures if conditions should change.

Terrorism and political turbulence in many countries can naturally have an adverse impact on Axis' global expansion. Another, partly political question, is social acceptance of camera surveillance as well as the privacy issues that may arise in this context. Globally, Axis encounters everything from a very positive attitude to a more sceptical view of camera surveillance. There are no currently known plans for significant changes with regard to legal regulations or restrictions. As market leader, Axis continually strives to communicate the benefits of a safer and more secure environment with network video as a natural component.

Business risk

The market Axis targets is largely driven by a technology shift from older analog surveillance equipment to modern network technology solutions. Axis is the market leader in the global network video market and is expanding strongly. The expansion plans are based on strategic assumptions and forecasts about the market trend. In the event that the technology shift proceeds at a slower pace than expected, it may give competitors the opportunity to strengthen their market positions. Axis' strategy is to maintain the pace of the technology shift by continually training customers and system integrators in the benefits of network video, and thereby increase understanding of the new technology. The training mainly takes place within Axis' different partner programs and in the form of Axis Communications Academy.

Trust in and acceptance of new technology and applications in a premature market is strongly dependent on well-functioning products and solutions, which deliver high quality and performance. Axis' research and development department works continually to develop new high technology products. The majority of Axis' products are built on the proprietary network and image compression chip, ARTPEC®. ARTPEC® is optimized and adapted for products and applications within network video, which gives Axis a distinct advantage compared to other players in the market. Quality is ensured through a well-defined quality and testing process as well as through skilled and careful subcontractors. In order to minimize risks in the supply chain, from supply of components to delivery, Axis works with a number of subcontractors that are equally important from a competency and capacity perspective.

The growing network video market is attracting more and more players, which is leading to increased competition. Several of the companies that were previously active within analog camera surveillance today also have product offerings in network technology. Market shares and market leadership can be maintained through careful competitive intelligence, a capable global sales force as well as vigorous and rapid product development. The group finance function continually monitors days sales outstanding and payment behavior etc. in all regions. Credit risks from operating flows are handled at a regional level. The group's credit policy establishes the framework for how credit risks and credit exposure should be handled.

Financial risk

The group's international operations involve a number of financial risks, which are handled according to the policies adopted annually by the board. The overriding goal of the group's finance function is to provide financing

to group companies on an ongoing basis and handle financial risks so that potential negative effects on the group's results are minimized. The group is primarily exposed to financing, foreign exchange and credit risk. Interest risk is assessed as being limited. For further information refer to Note 3 to the financial statements.

Outlook

There is a continued steady inflow of new projects and the company's view regarding the market's current growth rate remains unchanged. Axis and external market research institutions estimate the long-term global growth potential for the network video market at about 20–25 percent annually. An important factor for continued strong growth is increased penetration in installations for smaller systems and in emerging markets. In order to meet market demand and retain its position as the market-leading supplier of network video solutions, Axis will continue to develop and release a large number of innovative products, refine the partner network, recruit more employees and continue to expand globally.

Parent Company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. Sales to group companies are insignificant. Purchasing from group companies has not taken place. The parent company's profit after financial items totaled SEK 421 M (539).

Proposed appropriation of profits in the Parent Company

The funds at the disposal of the annual general meeting are:

| | |
|--|------------------------|
| Accumulated profit or loss and other non-restricted reserves | SEK 77,071,410 |
| Net profit for the year | SEK 305,907,743 |
| TOTAL | SEK 382,979,153 |

The Board of Directors and the President propose that the profits at the disposal of the annual general meeting be appropriated as follows:

| | |
|---|------------------------|
| that a dividend of SEK 5.50 per share shall be paid to shareholders | SEK 382,036,875 |
| carried forward | SEK 942,278 |
| TOTAL | SEK 382,979,153 |

The board anticipates a continued positive trend during the 2014 fiscal year. The view of the board of directors is that the proposed dividend will not prevent the company from fulfilling its obligations over the short or long term or from making necessary investments.

Consolidated statement of comprehensive income

| | Note | 2013 | 2012 | 2011 |
|---|---------|----------------|----------------|----------------|
| Net sales | 4 | 4,716.8 | 4,183.5 | 3,577.6 |
| Cost of goods and services sold | | -2,286.6 | -2,080.0 | -1,750.2 |
| Gross profit | | 2,430.2 | 2,103.5 | 1,827.4 |
| Other income and changes in value | 8 | -8.0 | -30.0 | 19.7 |
| Selling and marketing expenses | | -864.4 | -747.5 | -610.4 |
| Administrative expenses | | -208.9 | -171.0 | -135.8 |
| Research and development expenses | | -708.6 | -579.7 | -467.6 |
| Operating profit | 5, 6, 7 | 640.3 | 575.3 | 633.3 |
| Financial expenses | | -3.1 | -6.5 | -2.3 |
| Profit before tax | | 637.2 | 568.8 | 631.0 |
| Tax | 10 | -158.3 | -141.5 | -175.3 |
| NET PROFIT FOR THE YEAR | | 478.9 | 427.3 | 455.7 |
| Other comprehensive income* | | | | |
| Items that later may be transferred to the income statement | | | | |
| Exchange differences | | -4.5 | -4.1 | -1.7 |
| Other comprehensive income for the year, net after tax | | -4.5 | -4.1 | -1.7 |
| Total comprehensive income for the year | | 474.4 | 423.2 | 454.0 |
| Net profit for the year attributable to: | | | | |
| The parent company's shareholders | | 478.9 | 427.3 | 455.7 |
| Total comprehensive income attributable to: | | | | |
| The parent company's shareholders | | 474.4 | 423.2 | 454.0 |
| Earnings per share before dilution, SEK | 11 | 6.89 | 6.15 | 6.56 |
| Earnings per share after dilution, SEK | | 6.89 | 6.15 | 6.56 |
| Number of shares before dilution, average, thousands | | 69,461 | 69,461 | 69,461 |
| Number of shares after dilution, average, thousands | | 69,461 | 69,461 | 69,461 |
| Proposed dividend, SEK | | 5.50 | 5.00 | 5.50 |

*The items in other comprehensive income above are recognized net after tax. Disclosure is provided in Note 10 of the tax that is attributable to each component in other comprehensive income.

Consolidated balance sheet

| ASSETS | Note | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
|---|------|----------------|----------------|----------------|
| Non-current assets | | | | |
| Property, plant and equipment | 5 | 99.5 | 78.9 | 68.8 |
| Intangible assets | 5 | 165.3 | 125.1 | 112.3 |
| Other financial assets | 15 | 5.7 | 6.9 | 5.6 |
| Total non-current assets | | 270.5 | 210.9 | 186.7 |
| Current assets | | | | |
| Inventories | 13 | 636.8 | 536.0 | 410.8 |
| Trade receivables and other receivables | 14 | 697.9 | 484.7 | 517.1 |
| Cash and cash equivalents | 16 | 337.7 | 464.5 | 425.0 |
| Total current assets | | 1,672.4 | 1,485.3 | 1,352.9 |
| TOTAL ASSETS | | 1,942.9 | 1,696.1 | 1,539.6 |
| EQUITY & LIABILITIES | | | | |
| Equity | | | | |
| <i>Capital and reserves</i> | | | | |
| Share capital | | 0.7 | 0.7 | 0.7 |
| Other paid-up capital | | 279.2 | 279.2 | 279.2 |
| Other reserves | 18 | -18.6 | -14.1 | -10.0 |
| Retained earnings | | 675.6 | 544.0 | 498.7 |
| Total equity | | 936.9 | 809.8 | 768.6 |
| Liabilities | | | | |
| <i>Non-current liabilities</i> | | | | |
| Retirement benefit obligations | 20 | 3.5 | 2.7 | 2.5 |
| Deferred tax liabilities | 12 | 116.0 | 83.3 | 74.3 |
| Other provisions | 21 | 44.0 | 38.6 | 25.0 |
| Total non-current liabilities | | 163.5 | 124.6 | 101.8 |
| <i>Current liabilities</i> | | | | |
| Borrowings | 19 | - | 140.0 | - |
| Trade payables and other liabilities | 22 | 842.5 | 618.6 | 580.5 |
| Current tax liabilities | | - | 3.1 | 88.7 |
| Total current liabilities | | 842.5 | 761.7 | 669.2 |
| Total liabilities | | 1,006.0 | 886.3 | 771.0 |
| TOTAL EQUITY AND LIABILITIES | | 1,942.9 | 1,696.1 | 1,539.6 |
| MEMORANDUM ITEMS | | | | |
| <i>Pledged assets</i> | | | | |
| | | <i>NONE</i> | <i>NONE</i> | <i>NONE</i> |
| <i>Contingent liabilities</i> | | | | |
| | 27 | 6.0 | 6.0 | 6.0 |

Consolidated statement of changes in equity

| | Attributable to the parent company's shareholders | | | | Total equity |
|---|---|-----------------------|----------------|-------------------|---------------|
| | Share capital | Other paid-up capital | Other reserves | Retained earnings | |
| Opening balance at January 1. 2011 | 0.7 | 279.2 | -8.3 | 355.6 | 627.2 |
| Comprehensive income | | | | | |
| Net profit for the year | - | - | - | 455.7 | 455.7 |
| Other comprehensive income | | | | | |
| Exchange differences | - | - | -1.7 | - | -1.7 |
| Total other comprehensive income | - | - | -1.7 | - | -1.7 |
| Total comprehensive income | - | - | -1.7 | 455.7 | 454.0 |
| Transactions with owners | | | | | |
| Dividend in respect of 2010 | - | - | - | -312.6 | -312.6 |
| Total transactions with owners | - | - | - | -312.6 | -312.6 |
| Closing balance at December 31. 2011 | 0.7 | 279.2 | -10.0 | 498.7 | 768.6 |
| Opening balance at January 1. 2012 | 0.7 | 279.2 | -10.0 | 498.7 | 768.6 |
| Comprehensive income | | | | | |
| Net profit for the year | - | - | - | 427.3 | 427.3 |
| Other comprehensive income | | | | | |
| Exchange differences | - | - | -4.1 | - | -4.1 |
| Total other comprehensive income | - | - | -4.1 | - | -4.1 |
| Total comprehensive income | - | - | -4.1 | 427.3 | 423.2 |
| Transactions with owners | | | | | |
| Dividend in respect of 2011 | - | - | - | -382.0 | -382.0 |
| Total transactions with owners | - | - | - | -382.0 | -382.0 |
| Closing balance at December 31. 2012 | 0.7 | 279.2 | -14.1 | 544.0 | 809.8 |
| Opening balance at January 1. 2013 | 0.7 | 279.2 | -14.1 | 544.0 | 809.8 |
| Comprehensive income | | | | | |
| Net profit for the year | - | - | - | 478.9 | 478.9 |
| Other comprehensive income | | | | | |
| Exchange differences | - | - | -4.5 | - | -4.5 |
| Total other comprehensive income | - | - | -4.5 | - | -4.5 |
| Total comprehensive income | - | - | -4.5 | 478.9 | 474.4 |
| Transactions with owners | | | | | |
| Dividend in respect of 2012 | - | - | - | -347.3 | -347.3 |
| Total transactions with owners | - | - | - | -347.3 | -347.3 |
| Closing balance at December 31. 2013 | 0.7 | 279.2 | -18.6 | 675.6 | 936.9 |

Consolidated cash flow statement

| | Note | 2013 | 2012 | 2011 |
|---|------|---------------|---------------|---------------|
| <i>Operating activities</i> | | | | |
| Cash flow from operations | 28 | 607.7 | 601.9 | 561.9 |
| Interest paid | | -3.2 | -4.8 | -2.2 |
| Interest received | | 1.2 | 0.9 | 2.5 |
| Taxes paid | | -128.2 | -237.4 | -107.9 |
| Cash flow from operating activities | | 477.5 | 360.6 | 454.3 |
| <i>Investing activities</i> | | | | |
| Acquisition of property, plant and equipment | 5 | -61.0 | -44.6 | -44.8 |
| Acquisition of intangible assets | 5 | -57.2 | -29.6 | -38.7 |
| Acquisition of subsidiaries and operations | | - | -2.4 | - |
| Reversed deposits | | 1.2 | -2.5 | 1.5 |
| Cash flow from investing activities | | -117.0 | -79.1 | -82.0 |
| <i>Financing activities</i> | | | | |
| Dividend paid | | -347.3 | -382.0 | -312.6 |
| Amortization of loans | | -140.0 | - | -1.0 |
| Borrowing | | 0.0 | 140.0 | - |
| Cash flow from financing activities | | -487.3 | -242.0 | -313.6 |
| Cash flow for the year | | -126.8 | 39.5 | 58.7 |
| Cash and cash equivalents at beginning of year | | 464.5 | 425.0 | 366.3 |
| Change in cash and cash equivalents | | -126.8 | 39.5 | 58.7 |
| Cash and cash equivalents at end of year | 16 | 337.7 | 464.5 | 425.0 |

Parent company income statement

| | Note | 2013 | 2012 | 2011 |
|---|------|--------|--------|--------|
| Net sales | | 25.9 | 25.7 | 14.1 |
| Gross profit | | 25.9 | 25.7 | 14.1 |
| Administrative expenses | | -37.4 | -36.2 | -22.4 |
| Operating profit | 5 | -11.5 | -10.5 | -8.4 |
| <i>Profit/loss from financial investments</i> | | | | |
| Profit from participations in group companies | 23 | 451.6 | 540.4 | 657.7 |
| Interest income and similar profit/loss items | 24 | 1.8 | 15.8 | 4.0 |
| Interest expenses and similar profit/loss items | 25 | -20.5 | -7.1 | -15.7 |
| Profit after financial items | | 421.4 | 538.6 | 637.7 |
| Difference between book depreciation and depreciation according to plan | | -0.1 | -1.1 | -2.6 |
| Provision to tax allocation reserve | | -126.7 | -124.8 | -197.2 |
| Reversal from tax allocation reserve | | 95.0 | - | 203.6 |
| Tax | 10 | -83.7 | -98.5 | -155.6 |
| Net profit for the year | | 305.9 | 314.2 | 485.8 |

Parent company statement of comprehensive income

| | Note | 2013 | 2012 | 2011 |
|---|------|-------|-------|-------|
| Net profit for the year | | 305.9 | 314.2 | 485.8 |
| Total comprehensive income for the year | | 305.9 | 314.2 | 485.8 |

Parent company balance sheet

| ASSETS | Note | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
|--------------------------------------|------|--------------|----------------|--------------|
| Non-current assets | | | | |
| <i>Intangible assets</i> | | | | |
| Patents | 5 | 9.5 | 11.9 | 14.2 |
| Total intangible assets | | 9.5 | 11.9 | 14.2 |
| <i>Financial assets</i> | | | | |
| Participations in subsidiaries | 26 | 0.7 | 0.7 | 0.7 |
| Other financial assets | | - | - | 0.1 |
| Total financial assets | | 0.7 | 0.7 | 0.8 |
| Total non-current assets | | 10.2 | 12.6 | 15.0 |
| Current assets | | | | |
| <i>Receivables</i> | | | | |
| Receivables from group companies | | 749.6 | 982.1 | 768.1 |
| Tax receivables | | 15.1 | 20.0 | 1.0 |
| Prepaid expenses and accrued income | | 2.4 | 1.8 | 1.6 |
| Total receivables | | 767.1 | 1,003.9 | 770.7 |
| <i>Cash and bank balances</i> | | | | |
| Cash and bank balances | 16 | 122.5 | 32.4 | 155.3 |
| Total cash and bank balances | | 122.5 | 32.4 | 155.3 |
| Total current assets | | 889.6 | 1,036.3 | 926.0 |
| Total assets | | 899.8 | 1,048.9 | 941.0 |
| EQUITY & LIABILITIES | | | | |
| Equity | 17 | | | |
| <i>Restricted equity</i> | | | | |
| Share capital | | 0.7 | 0.7 | 0.7 |
| Total restricted equity | | 0.7 | 0.7 | 0.7 |
| <i>Non-restricted equity</i> | | | | |
| Accumulated profit | | 77.1 | 110.2 | 6.5 |
| Net profit for the year | | 305.9 | 314.2 | 485.8 |
| Total non-restricted equity | | 383.0 | 424.4 | 492.3 |
| Total equity | | 383.7 | 425.1 | 493.0 |
| Untaxed reserves | | | | |
| Tax allocation reserve | | 506.6 | 474.9 | 350.0 |
| Accumulated additional depreciation | | 3.8 | 3.7 | 2.6 |
| Total untaxed reserves | | 510.4 | 478.6 | 352.6 |
| Liabilities | | | | |
| <i>Current liabilities</i> | | | | |
| Borrowing | 19 | - | 140.0 | - |
| Liabilities to group companies | | 0.9 | 0.7 | 1.1 |
| Tax liabilities | | - | - | 90.5 |
| Other liabilities | | 1.0 | 0.5 | 0.8 |
| Accrued expenses and deferred income | | 3.8 | 4.0 | 3.0 |
| Total current liabilities | | 5.7 | 145.2 | 95.4 |
| Total liabilities | | 5.7 | 145.2 | 95.4 |
| Total equity and liabilities | | 899.8 | 1,048.9 | 941.0 |
| Memorandum items | | | | |
| <i>Pledged assets</i> | | <i>NONE</i> | <i>NONE</i> | <i>NONE</i> |
| <i>Contingent liabilities</i> | 27 | 26.8 | 26.1 | 27.4 |

Parent company statement of changes in equity

| | Share capital | Share premium reserve | Accumulated profit | Net profit for the year | Total equity |
|-------------------------------------|---------------|-----------------------|--------------------|-------------------------|--------------|
| Equity at December 31, 2010 | 0.7 | 4.1 | 113.5 | 201.4 | 319.7 |
| Reversal of net profit for the year | - | - | 201.4 | -201.4 | - |
| Dividend | - | - | -312.6 | - | -312.6 |
| Net profit for the year | - | - | - | 485.8 | 485.8 |
| Equity at December 31, 2011 | 0.7 | 4.1 | 2.3 | 485.8 | 493.0 |
| Reversal of net profit for the year | - | - | 485.8 | -485.8 | - |
| Dividend | - | - | -382.0 | - | -382.0 |
| Net profit for the year | - | - | - | 314.2 | 314.2 |
| Equity at December 31, 2012 | 0.7 | 4.1 | 106.1 | 314.2 | 425.1 |
| Reversal of net profit for the year | - | - | 314.2 | -314.2 | - |
| Dividend | - | - | -347.3 | - | -347.3 |
| Net profit for the year | - | - | - | 305.9 | 305.9 |
| Equity at December 31, 2013 | 0.7 | 4.1 | 73.0 | 305.9 | 383.7 |

Number of shares at December 31, 2012 totaled 69,461,250. The quota value was SEK 0.01 per share.

At the annual general meeting on April 28, 2014, a dividend of SEK 5.50 per share in respect of 2013 will be proposed. During 2013, SEK 5.00 per share was paid in respect of the fiscal year 2012, and during 2012, SEK 5.50 per share was paid in respect of the fiscal year 2011.

Parent company cash flow statement

| | Note | 2013 | 2012 | 2011 |
|--|------|--------|--------|--------|
| <i>Operating activities</i> | | | | |
| Cash flow from operations | 28 | -9.4 | 4.3 | -3.1 |
| Financial expenses paid | | -20.2 | -4.1 | -15.7 |
| Financial income received | | 1.5 | 0.0 | 4.0 |
| Taxes paid | | -78.8 | -207.1 | -91.0 |
| Cash flow from operating activities | | -106.9 | -206.9 | -105.8 |
| <i>Investing activities</i> | | | | |
| Acquisition of intangible assets | | - | - | -16.6 |
| Cash flow from investing activities | | - | - | -16.6 |
| <i>Financing activities</i> | | | | |
| Dividend paid | | -347.3 | -382.0 | -312.6 |
| Amortization of loans | | -140.0 | - | - |
| Borrowing | | - | 140.0 | - |
| Group contributions received | 23 | 437.4 | 498.2 | 600.3 |
| Group contributions paid | 23 | -0.1 | -0.2 | -0.1 |
| Change in current receivables/liabilities, group companies | | 247.0 | -172.0 | -184.8 |
| Cash flow from financing activities | | 197.0 | 84.0 | 102.8 |
| Cash flow for the year | | 90.1 | -122.9 | -19.6 |
| Cash and cash equivalents at beginning of year | | 32.4 | 155.3 | 174.9 |
| Change in cash and cash equivalents | | 90.1 | -122.9 | -19.6 |
| Cash and cash equivalents at end of year | | 122.5 | 32.4 | 155.3 |

Notes

Note 1 General information

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 network video surveillance. Axis' products and solutions focus on security surveillance and remote monitoring and are based on innovative and open technology platforms. Axis is a Swedish company, which acts globally with its own employees in more than 40 countries and through collaboration with partners in 179 countries. The company was founded in 1984 and is listed on NASDAQ OMX Stockholm, under the ticker AXIS. The company's legal form is a public joint stock corporation. The country of registration is Sweden, and the registered office is in Lund. The main place of business is Lund.

These financial statements were approved by the board of directors on January 30, 2014.

Note 2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements for the Axis Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU, and also in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1. The most important accounting policies adopted in preparing the consolidated financial statements are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Areas which involve a high degree of judgment, which are complex or are areas where assumptions and estimates are of considerable significance for the consolidated financial statements, are specified where appropriate in the relevant note.

The financial statements of the parent company have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

2.1.1 Changes in accounting policies and disclosures

Only the changes in accounting policies and disclosures that are relevant for the group's financial reporting are commented on below.

(a) New and amended standards adopted by the group in 2013

In IAS 1 "Presentation of financial statements", amendments have been introduced as regards other comprehensive income. The most significant change in IAS 1 is the requirement that the items recognized in "other comprehensive income" shall be presented as divided into two categories. The division is based on whether or not the items can be reclassified to the income statement (reclassification adjustments).

(b) New and amended standards adopted by the parent company in 2013

None of the new or amended standards are expected to have any material effect on the parent company's financial reporting.

(c) New standards and interpretations that shall be adopted for the group from January 1, 2014 and subsequently

None of the new standards or interpretations has been early adopted. The new standards or interpretations that have not yet entered into force are not expected to have any material effect on the group's financial reporting.

2.2 Consolidation

Subsidiaries are all the entities for which the group has the power to govern the financial and operating policies generally accompanying a shareholding amounting to more than half of the voting rights. The existence and effect of potential voting rights

that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are to be included in the consolidated financial statements from and including the date on which control is transferred to the group. They are to be deconsolidated from and including the date on which that control ceases.

The purchase method is used for recognition of Axis' business combinations. The cost of an acquisition of a subsidiary consists of the fair value of the assumed assets, liabilities and the shares issued by the group. The consideration also includes the fair value of all assets or liabilities which are a result of an agreement on contingent consideration. Costs related to the acquisition are expensed as they arise. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. For each acquisition, Axis determines if all non-controlling interests in the acquired entity are recognized at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The amount by which the consideration, any non-controlling interest and the fair value of previous shareholdings on the date of acquisition exceeds the fair value of the identifiable net assets acquired, is recognized as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets, in the event of a "bargain purchase", the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions and balance sheet items, as well as unrealized gains and losses on transactions between group companies, are eliminated. Where appropriate, the accounting policies of subsidiaries have been changed to ensure the consistent application of the group's principles.

In the event of different measurements of assets and liabilities at group and company level, the tax effect is taken into account, and this is recognized as a long-term receivable or liability. No account, however, is taken of deferred tax on group goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocation of resources and evaluation of the operating segments' results. In the group, this function has been identified as the group management.

2.4 Foreign currency translation

Items included in the financial statements of subsidiaries in the group are measured in the functional currency. The consolidated financial statements are presented in Swedish krona (SEK), which is the group's presentation currency.

Subsidiaries' assets and liabilities are translated at the closing rate at the end of each reporting period. Items in the income statement are translated at the exchange rate on the transaction date approximated to the average exchange rates. The translation difference is recognized in other comprehensive income.

During consolidation, exchange differences, which arose in consequence of the translation of net investment in foreign operations and of borrowings and other currency instruments which have been designated as hedges of such investments, are recognized in other comprehensive income. On divestment of a foreign operation, in part or entirely, the exchange differences recognized in equity are posted to the income statement and recognized as a part of the capital gain/loss.

When the parent company or other group company in the Axis Group carries out hedging measures to offset and protect against exchange differences on net investment in a subsidiary, the exchange difference on the hedging instrument is recognized against the equivalent translation difference for the subsidiary.

The group's exchange gains or losses are recognized in the operating profit.

2.5 Inventories

Goods for resale are valued at the lower of cost and the net realizable value (realizable value less estimated selling expenses) on the closing date using the FIFO principle. Internal profits on sales between group companies are eliminated.

2.6 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If payment is expected within one year or earlier, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognised at fair value and subsequently at amortized cost using the effective interest method, less any provision for impairment.

Axis applies net accounting of trade receivables in cases where Axis' counterparty in turn has claims on Axis in the form of accrued discounts connected to purchasing from Axis.

2.7 Property, plant and equipment

Property, plant and equipment is recognized at historical cost less accumulated depreciation using the straight-line method. Historical cost includes expenditure which can be directly attributable to the acquisition of the asset. Cost may also include transfers from equity of possible gains/losses on qualifying cash flow hedges, which fulfill the requirements for hedge accounting, relating to foreign currency purchases of property, plant and equipment. In the event that the carrying amount of an asset exceeds its estimated recoverable amount, the asset is immediately impaired to its recoverable amount.

Depreciation is calculated using the straight-line method on the original cost and is based on the estimated useful lives of the assets as follows:

| | |
|------------------------|------------|
| Equipment and fittings | 3–10 years |
|------------------------|------------|

2.8 Intangible assets

(a) Capitalized development work

Axis' technology is based on the internally-developed ASIC (Application Specific Integrated Circuit) platforms, which are at the heart of Axis' products. Research expenditure aimed at obtaining new technological knowledge is expensed as it arises. Development expenditure, where research results or other knowledge is applied in order to produce new or enhanced products, is recognized as an intangible asset if it is likely to generate future economic benefits for the group. In order to be capitalized, the intangible assets must be technical and commercially applicable and that the group has sufficient resources to complete development and subsequently use or sell the intangible asset. It must also be possible to reliably measure the expenditure during the development phase. The development of new platforms is capitalized continuously over the development period. Network applications based on created platforms, such as network cameras, are treated as adaptations of the core products. Adaptations of platforms for different network applications are not capitalized. Development expenses that are recognized in the balance sheet are carried at cost less accumulated amortization. The carrying amount includes directly related expenditure such as for material and services and remuneration to employees.

(b) Rights and patents

Own patents are not-capitalized but are charged to results when they arise. Acquired patents have a determinable useful life and therefore they are recognized at cost less accumulated amortization.

(c) Acquired web domains

A number of web domains were purchased that related to Axis' trademark in connection with the group starting operations in Mexico. The web domains are carried at cost less accumulated amortization.

Amortisation of intangible assets is recognised on a straight-line basis over the estimated useful lives, provided the useful lives are not indeterminable. Axis has no intangible assets with indeterminable useful lives. The estimated useful lives are calculated as follows:

| | |
|------------------------------|---------|
| Capitalized development work | 3 years |
| Patent portfolio | 7 years |
| Acquired web domains | 3 years |

Amortization begins when assets are ready for use.

2.9 Impairment of non-financial assets

Assets which are impaired are assessed in respect of the reduction in value whenever events or changes in circumstances indicate that the carrying value may not actually be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Capitalized development work is tested annually in respect of an impairment need before it is finally taken into use.

2.10 Cash and cash equivalents

Cash and cash equivalents include, in the balance sheet and in the cash flow statement, cash in hand, deposits held at call with banks and other current investments with original maturities of three months or less. Measurement of other short-term investments takes place at amortized cost.

2.11 Financial instruments

Financial instruments are classified into the following categories: financial assets measured at fair value via the income statement, loan receivables and trade receivables, as well as financial instruments which are available for sale. The classification is dependent on the aim for which the instrument was acquired. Management determines the classification of instruments at the first accounting date, and reviews this decision at every reporting date. All financial instruments are recognized from the transaction date.

For accounting of derivatives refer to note 3.2.

(a) Financial assets measured at fair value via the income statement (in the item Other income and changes in value)

Financial assets which are held for trading are carried at fair value via the income statement. A financial asset is to be classified in this category if it was acquired principally for the purpose of selling in the short-term or if this classification is determined by the management.

(b) Loan receivables and trade receivables

Loans receivables and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Characteristically, they arise when the group supplies money, goods or services direct to a customer without the intention of trading the resulting receivable. They are included in current assets, with the exception of items with maturities more than 12 months after the end of the reporting date, which are classified as non-current assets. Loans receivables and trade receivables are included in the item Trade receivables and other receivables in the balance sheet (see Note 14 Trade receivables and other receivables).

At the end of each reporting period, the group assesses whether there is objective evidence that there is a need for impairment in respect of a financial asset or a group of financial assets. Where such an impairment need has been identified, the asset is impaired to its fair value.

2.12 Provisions

Provisions for obligations, such as legal requirements and product warranties, are recognized when the group has an existing legal or constructive obligation in consequence of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If there are a number of similar obligations, the probability that an outflow of resources will be required for the settlement of this group as a whole is assessed. A provision is recognized even if the probability of an outflow in respect of one specific item in this group of obligations is low.

The provisions are measured at the present value of the amount that is expected to be required to settle the obligation.

2.13 Income taxes

Recognized tax expense includes tax payable or recoverable in respect of the current year, adjusted for prior years' tax as well as changes in deferred tax. All tax liabilities and tax assets are measured at their nominal amount in accordance with the tax laws and the tax rates enacted or announced and which there is a considerable degree of certainty will be enacted. For items recognized in the income statement, the associated tax consequences are recognized in the income statement. The tax consequences of items which are recognized directly against equity are recognized against equity. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities.

Deferred tax assets or deferred tax liabilities to the same tax authority are recognized net in the balance sheet. Deferred tax assets in respect of a loss carryforward are recognized to the extent that it is probable that the loss carryforward can be set off against a surplus for future taxation.

Untaxed reserves are recognized in the parent company. We have allocated the untaxed reserves between equity and deferred tax in the consolidated financial statements.

2.14 Cash flow statement

The consolidated cash flow statement has been prepared in accordance with IAS 7, Cash Flow Statements, using the indirect method. Changes for the year in cash and cash equivalents are divided up into operating activities, investing activities and financing activities. The starting point for the indirect method is the operating profit or loss adjusted for transactions which do not involve receipts or disbursements. The term cash and cash equivalents refers to cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. All items included in cash and cash equivalents can be readily converted to cash.

2.15 Leasing

Leases where a substantial part of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Axis Group mainly holds lease agreements regarding rent for premises. Payments made during the lease term are expensed in the income statement on a straight-line basis over the period of the lease. For further information about minimum lease payments refer to Note 9.

2.16 Revenue recognition

Net sales are recognized when the goods are delivered and accepted by the customer, i.e. when the material risks and benefits are transferred to the purchaser. Revenue is shown exclusive of value added tax, similar taxes and discounts and after eliminating sales within the group.

Licensing revenues are recognized as revenue in accordance with the financial effects of the agreement in question.

The recognition of interest income is allocated over the term in question using the effective interest method.

2.17 Borrowing expenses

All borrowing costs, apart from those related to a qualifying asset, are expensed continually as they arise. Borrowing related to qualifying assets is capitalized.

2.18 Pensions

The group operates both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate legal entity. The group has no legal or constructive obligations to pay further contributions if this legal entity has insufficient assets to pay all remuneration to employees that is connected with the employees' service during current or prior periods. A defined benefit plan is a pension scheme that is not defined contribution. Characteristic for defined benefit plans is that they state the amount of the pension benefit an employee will receive after retirement, generally based on one or more factors such as age, period of service and salary.

For defined contribution plans, the Group pays contributions to public or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses in the period in which they are earned.

Defined benefit pension plans in the group consist of the ITP 2 plan's defined benefit obligations for retirement and family pension. The ITP 2 plan is secured through insurance with Alecta. According to statement UFR 3 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, Classification of ITP plans financed by insurance in Alecta, this is a multi-employer defined-benefit plan. For the fiscal year 2013, the company did not have access to the information required to report its proportional share of the plan's obligations, plan assets and costs, which means that it has not been possible to report it as a defined-benefit plan. The ITP 2 pension plan is therefore recognized as a defined-contribution plan.

2.19 Critical estimates and assessments for accounting purposes

Guarantees

The group generally offers a three-year warranty on its network products. The management makes an estimate of the provision required for future warranty requirements based on information regarding historical warranty requirements. The provision also includes products with warranty periods shorter than three years.

Intangible assets

Axis' management makes the assessment that the necessary technological knowledge and financial strength exists in order to complete the capitalized intangible assets into marketable products. The market for the future products is expected to be the same as where Axis' products are sold today.

Accrued discounts

Axis' sales model contains a discount element which is adjusted after delivery. The scale of the discounts depends on a number of factors, including volume and what type of partner the distributor sells the products to. The management makes an estimate of the provision required for accrued discounts based on information regarding historical discount levels and expected outcomes.

Note 3 Financial risk management

3.1 Financial risk factors

Risk management is handled by a central treasury department in accordance with the policies adopted by the board of directors. The treasury department identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The board has drawn up written principles both for overall risk management and for specific areas, such as foreign exchange risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the investment of excess liquidity.

Through its operations, Axis is exposed to a number of different financial risks: a) market risk (including foreign exchange risk, price risk and interest risk), b) credit risk and c) liquidity risk). The group's overall risk management policy focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

Axis' finance policy defines how foreign exchange risk should be minimized. Foreign exchange risk is divided into two main categories: a) Transaction risk and b) Translation risk. Transaction risk means the risk that fluctuations in exchange rates on the net cash flow in foreign currencies may have a negative impact on the group's results. Translation risk means the risk that exchange-rate fluctuations in the group's net investments in subsidiaries may have a negative impact on the group's results.

From January 1, 2010 the finance policy does not prescribe any hedging requirement. No hedging was conducted during 2013 (2012 and 2011). Historic exchange rate flows are followed up monthly in arrears.

Price risk arises when the group's costs rise as a result of our suppliers increasing the price of goods and services. By using several suppliers, we ensure that our purchasing prices are market competitive.

The board has defined interest risk as the risk that fluctuations in market interest rates have a negative impact on the group's net financial items. The finance policy states that the Treasury department must minimize the interest expense as much as possible. The average interest rate refixing period

for short-term financing must not exceed 6 months. Under the financial policy, the Treasury department may deploy interest rate derivatives to ensure that interest rates are fixed on average for a maximum of 6 months. At the end of 2013, the Group had short-term interest-bearing liabilities of SEK 0 M (140).

Excess cash and cash equivalents are invested in fixed-interest securities with a maximum remaining term of one year, and an average term of no more than 6 months. At December 31, 2013, SEK 100 M (0) was invested in fixed-interest securities with a maximum term of three months. The interest risk in the excess cash and cash equivalents is handled so that the average interest rate on all investments must not exceed 6 months.

Sensitivity analysis

The table below indicates the effect of the most important factors on Axis' results for the fiscal year 2013. Apart from currency exposure, the factors assessed as having the greatest effect on results are purchase prices and payroll expenses.

| Factor | Change, % | Effect on operating profit, SEK M |
|-------------------|-----------|-----------------------------------|
| Currency, SEK/USD | +/-5 | +/- 33 |
| Currency, SEK/EUR | +/-5 | +/- 38 |
| Purchasing | +/-5 | +/-86 |
| Personnel | +/-5 | +/-60 |

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Only independently rated banks and financial institutions that have obtained the long-term rating A or better, in accordance with Moody's or Standard & Poor's, are accepted as counterparties. The short-term rating must be Moody's P1 or Standard & Poor's K1 or A1. If customers have been credit assessed by independent raters, these assessments are used. In cases where no credit assessment exists, a risk assessment is performed of the customer's credit worthiness where their financial position is considered as well as previous experience and other factors. Individual risk limits are adopted on the basis of internal or external credit assessments in accordance with the limits established by the board. The use of credit limits is regularly monitored. Advance payments or letters of credit are employed when the risk is considered too high. Credit risk insurance was taken out in 2013 for some of our customers. These insurance policies were not utilized.

For risk assessment of trade receivables see the age distributed trade receivables ledger in Note 14.

(c) Liquidity risk

The group's liquidity position is continuously analyzed in order to minimize liquidity risk. The finance policy states that the treasury department must ensure that the group always has credit facilities with at least one bank. Axis must have access at all times to SEK 200 M in cash and cash equivalents or unutilized credit facilities. On December 31, 2013, Axis had SEK 337.7 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 500 M, compared with SEK 464 M and SEK 360 M respectively on December 31, 2012. The interest rate on unutilized credit facilities was determined on December 31, 2013 on the basis of the changes in STIBOR

The unutilized credit facilities of SEK 500 M in total apply until December 30, 2014.

The credit facilities are contingent on special requirements of the banks. These requirements state that: a) the interest coverage ratio (profit after financial income and expense, increased by external interest expenses) in relation to external interest expenses measured every end of quarter as a rolling twelve-month value does not fall below 4; b) Net Debt/EBITDA (interest bearing liabilities less cash and bank balances and other short-term investments in relation to profit before net financial items, taxes, depreciation and impairments of non-current assets) measured every end of quarter as a rolling twelve-month value does not exceed 2. During 2013, no breaches have occurred in respect of the above requirements.

For details regarding the group's and the parent company's liquidity trend refer to the cash flow statement for the group and the parent company.

3.2 Recognition of derivative instruments and hedging measures

When Axis holds derivative financial instruments, primarily currency futures, it is with the aim of protecting sales and procurement in foreign currency, as well as net assets in foreign subsidiaries. Axis applies hedge accounting.

When the transaction is entered into, Axis documents the relationship between the hedging instrument and the hedged item, along with the objective of the risk management and the strategy for taking other hedging action. The group also documents its assessment, both when the hedge instrument is taken out and during its term, of the effectiveness of the derivative instrument used in hedging transactions in the evening out of fluctuations in the fair value or cash flow of hedged items. Should a hedging measure prove ineffective, recognition immediately takes place via the income statement (Other income and changes in value). Changes in the hedging reserve in equity are shown in Note 18.

(a) Fair value hedge

At December 31, 2013, (2012, 2011) Axis had no derivative instruments that were used for fair value hedges.

(b) Cash flow hedge

At December 31, 2013 (2012, 2011), Axis had no derivative instruments that were used for cash flow hedges.

(c) Hedges of a net investment in a foreign operation

From fiscal year 2010, Axis has amended the finance policy to not hedge net investment in foreign subsidiaries. The outcome of previously entered into hedges remains in equity. Accumulated gains and losses in equity are recognized in the income statement when the foreign operation is sold.

3.3 Fair value measurement

The fair value of financial instruments which are traded on an active market, such as derivative instruments quoted on a market, is based on quoted market prices at the end of the reporting period. The quoted market price for Axis' financial assets, is the current purchase price while the quoted market price for the financial liabilities is the current selling price.

The fair value of financial instruments which are not traded on an active market is determined using valuation techniques. Axis uses a number of different methods, and makes assumptions based on the prevailing market conditions at the end of the reporting period. Other techniques, such as discounted cash flow measurements, are used to determine the fair value of the remaining financial instruments. The fair value of currency future contracts is determined through the use of market prices for currency futures at the end of the reporting period.

The nominal value, reduced by any expected credits, of trade receivables and trade payables is assumed to equal their fair value. The fair value of financial liabilities is measured by discounting the future contracted cash flow at the current market interest rate available for the group for similar financial instruments.

At the end of 2013 (2012 and 2011), Axis had no financial instruments of the type that must be disclosed based on the fair value hierarchy in IFRS 7.

3.4 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the group may adjust the amount of dividends paid to the shareholders, issue new shares or sell assets and also reduce or increase indebtedness.

Since 2007, Axis holds a AAA rating according to Dun & Bradstreet.

Note 4 Segment information

The group management has been identified as Axis' chief operating decision-maker. Operating segments have been determined based on the information that is considered by the group management and which is used as a basis for allocating resources and evaluating results. Axis' group management controls, manages and monitors the operations according to geographical regions; EMEA, North and South America and Asia, with sales growth as the main focus. In light of what is stated below, Axis considers that it fulfills the requirements for aggregation of the three geographic regions into one segment, Network video.

The group's common technology platform is the foundation for the entire innovative and broad product portfolio. Continuous global sales forecasts are compiled of a separate production planning function located at the headquarters in Lund. A central purchasing department is responsible for sourcing of critical components and procurement and placing of production among contract manufacturers around the world. The very close cooperation with contract manufacturers creates a good insight into manufacturing and quality assurance processes. Production takes place in essentially the same way at all manufacturers.

Axis has an indirect sales model, which means that sales take place via distributors that sell on to system integrators that in turn sell to the end users. The ambition is first to work with a small number of distributors in each country, and then achieve scalability in the second stage through a very large number of system integrators. The number of system integrators currently identified by Axis amounts to 65,000 globally. The sales model is identical and is applied in the same way throughout the world. Sales are monitored and analyzed in a company-wide CRM system. Distribution occurs through a small number of logistics centers placed in logistically suitable locations around the world.

Legal requirements in the form of local rules and regulations exist but are not deemed to impact the group appreciably. Stricter legal requirements from public authorities in specific areas can imply new business opportunities and may sometimes also limit the possibility of operating in just that local market. Through a central development department it is possible, when required, to rapidly adapt specific products to new demands.

Through a uniform global approach regarding product development and sales model, the three geographical regions lack real significance. From a group and network video perspective, they have a similar economic basis. The network video market is driven by an underlying global technology shift from analog to digital technology, among other factors. Nor do growth opportunities, margins and risks differ significantly between the three segments.

In light of the above reasoning, Axis only recognizes one segment. Accordingly, the segment information consists of the group as a whole.

| Net sales per geographical market | 2013 | 2012 | 2011 |
|------------------------------------|----------------|----------------|----------------|
| EMEA (Europe, Africa, Middle East) | 1,764.1 | 1,578.6 | 1,479.3 |
| North & South America | 2,363.8 | 2,117.5 | 1,739.6 |
| Asia | 588.9 | 487.4 | 358.7 |
| Total | 4,716.8 | 4,183.5 | 3,577.6 |
| Revenues per country | 2013 | 2012 | 2011 |
| Sweden | 0.4 | 0.1 | 1.6 |
| USA | 2,143.3 | 1,923.3 | 1,585.3 |
| Other countries | 2,573.1 | 2,260.1 | 1,990.7 |
| Total | 4,716.8 | 4,183.5 | 3,577.6 |

Revenues have been allocated per country based on where the customers are located.

| Non-current assets by country | 2013 | 2012 | 2011 |
|-------------------------------|--------------|--------------|--------------|
| Sweden | 236.4 | 177.3 | 159.7 |
| Other countries | 28.4 | 26.7 | 21.4 |
| Total | 264.8 | 204.0 | 181.1 |

Note 5 Non-current assets

| 2011 | Equipment and fittings | Improvement measures in leased properties | Total | Capitalized development | Rights/web domains | Total |
|---|------------------------|---|---------------|-------------------------|--------------------|---------------|
| Accumulated acquisition value | | | | | | |
| Balance brought forward at January 1, 2011 | 183.8 | - | 183.8 | 169.7 | 20.7 | 190.4 |
| Investments | 38.7 | 5.5 | 44.2 | 19.2 | 19.5 | 38.7 |
| Sales/disposals | -3.9 | - | -3.9 | - | - | - |
| Translation differences | 0.9 | 0.3 | 1.2 | - | - | - |
| Balance carried forward at December 31, 2011 | 219.5 | 5.8 | 225.3 | 188.9 | 40.2 | 229.1 |
| Accumulated depreciation/amortization | | | | | | |
| Balance brought forward at January 1, 2011 | -132.1 | - | -132.1 | -87.1 | -20.7 | -107.8 |
| Depreciation/amortization | -27.4 | -0.1 | -27.5 | -5.7 | -3.3 | -9.0 |
| Sales/disposals | 3.6 | - | 3.6 | - | - | - |
| Translation differences | -0.5 | - | -0.5 | - | - | - |
| Balance carried forward at December 31, 2011 | -156.4 | -0.1 | -156.5 | -92.8 | -24.0 | -116.8 |
| Net carrying amount | 63.1 | 5.7 | 68.8 | 96.1 | 16.2 | 112.3 |

| 2012 | Equipment and fittings | Improvement measures in leased properties | Total | Capitalized development | Rights/web domains | Total |
|---|------------------------|---|---------------|-------------------------|--------------------|---------------|
| Accumulated acquisition value | | | | | | |
| Balance brought forward at January 1, 2012 | 219.5 | 5.8 | 225.3 | 188.9 | 40.2 | 229.1 |
| Investments | 45.0 | 0.1 | 45.1 | 29.6 | - | 29.6 |
| Sales/disposals | -5.5 | - | -5.5 | - | - | - |
| Translation differences | -3.9 | -0.3 | -4.2 | -0.1 | - | -0.1 |
| Balance carried forward at December 31, 2012 | 255.1 | 5.6 | 260.7 | 218.4 | 40.2 | 258.6 |
| Accumulated depreciation/amortization | | | | | | |
| Balance brought forward at January 1, 2012 | -156.4 | -0.1 | -156.5 | -92.8 | -24.0 | -116.8 |
| Depreciation/amortization | -32.4 | -0.8 | -33.2 | -13.5 | -3.3 | -16.8 |
| Sales/disposals | 5.2 | - | 5.2 | - | - | - |
| Translation differences | 2.7 | - | 2.7 | 0.1 | - | 0.1 |
| Balance carried forward at December 31, 2012 | -180.9 | -0.9 | -181.8 | -106.2 | -27.3 | -133.5 |
| Net carrying amount | 74.2 | 4.7 | 78.9 | 112.2 | 12.9 | 125.1 |

| 2013 | Equipment and fittings | Improvement measures in leased properties | Total | Capitalized development | Rights/web domains | Total |
|---|------------------------|---|---------------|-------------------------|--------------------|---------------|
| Accumulated acquisition value | | | | | | |
| Balance brought forward at January 1, 2013 | 255.1 | 5.6 | 260.7 | 218.4 | 40.2 | 258.6 |
| Investments | 60.6 | 0.4 | 61.0 | 53.1 | 4.1 | 57.2 |
| Sales/disposals | -27.2 | - | -27.2 | - | - | - |
| Translation differences | -2.3 | - | -2.3 | - | - | - |
| Balance carried forward at December 31, 2013 | 286.2 | 6.0 | 292.2 | 271.5 | 44.3 | 315.8 |
| Accumulated depreciation/amortization | | | | | | |
| Balance brought forward at January 1, 2013 | -180.9 | -0.9 | -181.8 | -106.2 | -27.3 | -133.5 |
| Depreciation/amortization | -37.3 | -1.1 | -38.4 | -13.5 | -3.5 | -17.0 |
| Sales/disposals | 26.5 | - | 26.5 | - | - | - |
| Translation differences | 1.0 | - | 1.0 | - | - | - |
| Balance carried forward at December 31, 2013 | -190.7 | -2.0 | -192.7 | -119.7 | -30.8 | -150.5 |
| Net carrying amount | 95.5 | 4.0 | 99.5 | 151.8 | 13.5 | 165.3 |

Depreciation/amortization is charged to sales and marketing expenses, administrative and research and development expenses in the income statement.

Note 5 (continued)

Parent company – intangible assets

| 2011 | Rights | Total |
|---|--------------|--------------|
| Accumulated acquisition value | | |
| Balance brought forward at January 1, 2011 | 3.1 | 3.1 |
| Investments | 16.6 | 16.6 |
| Balance carried forward at December 31, 2011 | 19.7 | 19.7 |
| Accumulated amortization | | |
| Balance brought forward at January 1, 2011 | -3.1 | -3.1 |
| Amortization | -2.4 | -2.4 |
| Balance carried forward at December 31, 2011 | -5.5 | -5.5 |
| Net carrying amount | 14.2 | 14.2 |
| 2012 | | |
| Accumulated acquisition value | | |
| Balance brought forward at January 1, 2012 | 19.7 | 19.7 |
| Investments | - | - |
| Balance carried forward at December 31, 2012 | 19.7 | 19.7 |
| Accumulated amortization | | |
| Balance brought forward at January 1, 2012 | -5.5 | -5.5 |
| Amortization | -2.3 | -2.3 |
| Balance carried forward at December 31, 2012 | -7.8 | -7.8 |
| Net carrying amount | 11.9 | 11.9 |
| 2013 | | |
| Accumulated acquisition value | | |
| Balance brought forward at January 1, 2013 | 19.7 | 19.7 |
| Investments | - | - |
| Balance carried forward at December 31, 2013 | 19.7 | 19.7 |
| Accumulated amortization | | |
| Balance brought forward at January 1, 2013 | -7.8 | -7.8 |
| Amortization | -2.4 | -2.4 |
| Balance carried forward at December 31, 2013 | -10.2 | -10.2 |
| Net carrying amount | 9.5 | 9.5 |

Note 6 Costs allocated per type of cost

| | 2013 | 2012 | 2011 |
|---|-----------------|-----------------|-----------------|
| Depreciation/amortization and impairment (Note 5) | -55.4 | -49.9 | -36.5 |
| Expenses for remuneration to employees (Note 20) | -1,035.7 | -852.8 | -705.2 |
| Cost of purchasing and handling goods for resale | -2,286.6 | -2,080.0 | -1,750.1 |
| Other external expenses | -690.8 | -595.5 | -476.2 |
| | -4,068.5 | -3,578.2 | -2,968.0 |

Note 7 Audit fees

| | Group | | |
|--|------------|------------|------------|
| | 2013 | 2012 | 2011 |
| PwC | | | |
| The audit assignment | 1.3 | 1.2 | 1.2 |
| Audit work apart from the audit assignment | 0.2 | 0.2 | 0.5 |
| Tax consultancy | 1.7 | 1.0 | 1.4 |
| Other services | 0.2 | 0.1 | 0.1 |
| | 3.4 | 2.5 | 3.2 |
| Other auditors | | | |
| The audit assignment | 2.3 | 1.9 | 1.4 |
| Audit work apart from the audit assignment | 0.1 | - | - |
| Tax consultancy | 0.4 | 0.5 | 0.3 |
| Other services | 0.3 | 0.3 | 0.5 |
| | 3.1 | 2.7 | 2.2 |
| Group total | 6.5 | 5.2 | 5.4 |

The audit fees and other fees to the parent company's auditors have been charged in their entirety to the subsidiary, Axis Communications AB.

Note 8 Other income and changes in value

| | Group | | |
|----------------------|-------------|--------------|-------------|
| | 2013 | 2012 | 2011 |
| Exchange differences | -8.0 | -30.0 | 19.7 |
| | -8.0 | -30.0 | 19.7 |

Note 9 Lease obligations*

Leasing costs for the year amounted to SEK 87.6m in the group. The cost refers to minimum lease payments in its entirety as no variable payments or further letting occurs. Contracted future rental and leasing agreements are due for payment as follows.

| | Group | |
|-------------------------------|------------------------|------------------------|
| | 2013 | 2012 |
| | Minimum lease payments | Minimum lease payments |
| Leasing within 1 year | 89.8 | 63.8 |
| Leasing between 1 and 5 years | 212.2 | 215.2 |
| Leasing more than 5 years | 11.1 | 5.2 |
| | 313.1 | 284.2 |

Agreements mainly refer to rent for premises.

*Relates to operating leases pertaining to normal agreements for the operations within stated range regarding non-terminable leases and other operating leases. Most lease agreements regarding premises contain terms and conditions that give the right to extend the lease in question during a predetermined period, and do not contain any transfer of ownership to the property at the end of the term or any economic benefits regarding appreciation in value of the leased property.

Note 10 Income taxes

| | Group | | | Parent Company | | |
|---|---------------|---------------|---------------|----------------|--------------|---------------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Current tax | -125.7 | -132.5 | -174.9 | -83.7 | -98.5 | -155.6 |
| Deferred tax | -32.6 | -9.0 | -0.4 | - | - | - |
| | -158.3 | -141.5 | -175.3 | -83.7 | -98.5 | -155.6 |
| Recognized profit before tax | 637.2 | 568.8 | 631.0 | 389.6 | 412.7 | 641.4 |
| Theoretical tax | -140.2 | -149.6 | -166.0 | -85.7 | -108.5 | -168.7 |
| Recognized tax | -158.3 | -141.5 | -175.3 | -83.7 | -98.5 | -155.6 |
| Difference between theoretical and recognized tax | -18.1 | 8.1 | -9.3 | 2.0 | 10.0 | 13.1 |
| <i>Due</i> | | | | | | |
| Non-deductible expenses | -6.5 | -7.4 | -6.0 | -1.1 | -1.1 | -2.0 |
| Differences in tax rates | -14.1 | 14.0 | -5.6 | - | - | - |
| <i>Deductible</i> | | | | | | |
| Non-taxable income | 2.5 | 1.5 | 2.3 | 3.1 | 11.1 | 15.1 |
| | -18.1 | 8.1 | -9.3 | 2.0 | 10.0 | 13.1 |

The current tax rate for 2013 is 22.0 percent. The tax rate was 26.3 percent for the two comparative years, 2012 and 2011.

The tax, which is attributable to components in other comprehensive income amounted to the following:

| | 2013 | | | 2012 | | | 2011 | | |
|----------------------|-------------|------------|-------------|-------------|------------|-------------|-------------|------------|-------------|
| | Before tax | Tax effect | After tax | Before tax | Tax effect | After tax | Before tax | Tax effect | After tax |
| Exchange differences | -4.5 | - | -4.5 | -4.1 | - | -4.1 | -1.7 | - | -1.7 |
| | -4.5 | - | -4.5 | -4.1 | - | -4.1 | -1.7 | - | -1.7 |

Note 11 Earnings per share

Earnings per share before dilution

Earnings per share before dilution is calculated by dividing the profit/loss attributable to the parent company's shareholders by a weighted average of the number of outstanding ordinary shares during the period.

| | Parent Company | | |
|---|----------------|--------|--------|
| | 2013 | 2012 | 2011 |
| Earnings attributable to the parent company's shareholders | 478.9 | 427.3 | 455.7 |
| Weighted average number of outstanding ordinary shares, thousands | 69,461 | 69,461 | 69,461 |
| Earnings per share before dilution, SEK | 6.89 | 6.15 | 6.56 |

Earnings per share after dilution, SEK

In calculating earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilutive effect of all potential ordinary shares.

| | Parent Company | | |
|--|----------------|--------|--------|
| | 2013 | 2012 | 2011 |
| Earnings attributable to the parent company's shareholders | 478.9 | 427.3 | 455.7 |
| Weighted average number of outstanding ordinary shares, thousands | 69,461 | 69,461 | 69,461 |
| Weighted average number of outstanding ordinary shares after dilution, thousands | 69,461 | 69,461 | 69,461 |
| Earnings per share after dilution, SEK | 6.89 | 6.15 | 6.56 |

Note 12 Deferred tax

The group's and the parent company's temporary differences have resulted in deferred tax assets and deferred tax liabilities in respect of the following items:

| | Group | | |
|---|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| <i>Deferred tax receivables¹⁾</i> | | | |
| Property, plant and equipment and intangible assets | 0.9 | 0.9 | 1.0 |
| Financial instruments | 2.7 | 2.7 | 2.7 |
| Inventories | 9.4 | 6.5 | 5.2 |
| Other items | 15.9 | 11.1 | 8.9 |
| | 28.9 | 21.2 | 17.8 |
| <i>Deferred tax liabilities</i> | | | |
| Tax allocation reserve | 111.5 | 104.5 | 92.1 |
| Property, plant and equipment and intangible assets | 33.4 | - | - |
| | 144.9 | 104.5 | 92.1 |
| Deferred tax assets/tax liabilities ²⁾ | -116.0 | -83.3 | -74.3 |

| | Group | | |
|---|---------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Opening deferred tax assets/tax liabilities ²⁾ | -83.3 | -74.3 | -74.3 |
| Change during the year in: | | | |
| - property, plant and equipment and intangible assets | -33.4 | -0.1 | -2.7 |
| - inventories | 2.9 | 1.3 | -1.0 |
| - other items | 4.8 | 2.2 | 2.1 |
| - tax allocation reserve | -7.0 | -12.4 | 1.6 |
| Closing deferred tax assets/tax liabilities | -116.0 | -83.3 | -74.3 |

¹⁾ Deferred tax liabilities to the same tax authority are recognized net in the balance sheet.

²⁾ The amount includes SEK 0 M (2011: SEK 0 M, 2010: SEK -0.4 M) which refers to income tax attributable to components in other comprehensive income (Note 10).

Note 13 Inventories

| | Group | | |
|------------------|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Goods for resale | 636.8 | 536.0 | 410.9 |
| | 636.8 | 536.0 | 410.9 |

Note 14 Trade receivables and other receivables

| | Group | | |
|--|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Trade receivables | 596.4 | 397.3 | 463.6 |
| Provision for doubtful trade receivables | -4.4 | -5.4 | -5.2 |
| Trade receivables - net ¹⁾ | 592.0 | 391.9 | 458.4 |
| Tax asset | 19.3 | 19.9 | - |
| Other receivables | 32.9 | 26.2 | 23.7 |
| Prepaid expenses and accrued income | 53.7 | 46.7 | 35.0 |
| | 697.9 | 484.7 | 517.1 |

¹⁾ The amount includes contract manufacturers of SEK 68.0 M (2012: 30.3, 2011: 65.2). Contract manufacturers refers to invoices issued to subcontractors when products are sent for reprocessing.

Note 14 (continued)

From 2013 Axis applies net accounting of trade receivables in cases where Axis' counterparty in turn has claims on Axis in the form of accrued discounts connected to purchasing from Axis. At December 31, 2013, the effect of this net accounting, is a reduction in trade receivables of SEK 139 M. For comparability between years, the comparative years have been recalculated and the corresponding amounts are SEK 93 M for 2012 and SEK 78 M for 2011, respectively.

Changes in the provision for doubtful receivables are as follows:

| | Group | | |
|--|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Opening balance | -5.4 | -5.2 | -6.4 |
| Provision for doubtful debts | 0.0 | -1.4 | -0.6 |
| Receivables written off during the year that are not recoverable | 0.6 | 1.1 | 0.1 |
| Reversed unutilized amount | 0.4 | 0.1 | 1.7 |
| Closing balance | -4.4 | -5.4 | -5.2 |

Age distribution of trade receivables:

| | Group | | |
|--------------------------------------|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Not due | 485.1 | 322.5 | 379.0 |
| Due for up to 3 months ¹⁾ | 105.9 | 69.8 | 84.6 |
| Due over 3 months | 5.4 | 5.0 | 0.0 |
| Total trade receivables | 596.4 | 397.3 | 463.6 |
| Provision for doubtful receivables | -4.4 | -5.4 | -5.2 |
| Recognized trade receivables | 592.0 | 391.9 | 458.4 |

The verified customer losses during 2013 totaled SEK 0.6 M (2012: 1.1, 2011: 0.1). Credit risk insurance was taken out for a number of our customers in 2013.

¹⁾Of the invoices for 2013 due for up to 3 months, SEK 49.6 M fell due during the last week of December.

Credit rating, Customers (according to Dun & Bradstreet):

| Risk range | Group | | |
|--------------------------|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Lowest risk | 69.4 | 39.0 | 91.7 |
| Low risk | 116.2 | 80.1 | 110.0 |
| Medium risk | 228.7 | 223.2 | 188.6 |
| High risk | 17.3 | 1.8 | 0.4 |
| Highest risk | 25.2 | 3.2 | 17.5 |
| Unclassified | 107.4 | 40.5 | 49.9 |
| No Dun & Bradstreet data | 32.2 | 9.5 | 5.5 |
| Total | 596.4 | 397.3 | 463.6 |

Note 15 Other financial assets

| | Group | | |
|------------------|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Prepaid licenses | 2.6 | 2.6 | 3.4 |
| Rent depositions | 2.0 | 3.2 | 0.9 |
| Other | 1.1 | 1.1 | 1.3 |
| | 5.7 | 6.9 | 5.6 |

All non-current receivables fall due within five years of the end of the reporting period.

Note 16 Cash and cash equivalents

| | Group | | | Parent company | | |
|------------------------|--------------|--------------|--------------|----------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Cash and bank balances | 237.7 | 464.5 | 325.0 | 22.5 | 32.4 | 55.3 |
| Short-term investments | 100.0 | - | 100.0 | 100.0 | - | 100.0 |
| | 337.7 | 464.5 | 425.0 | 122.5 | 32.4 | 155.3 |

Credit rating of cash and cash equivalents:

| | Group | | | | | |
|-------------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
| | Dec 31, 2013 | Rating 2013 | Dec 31, 2012 | Rating 2012 | Dec 31, 2011 | Rating 2011 |
| Danske Bank | 100.0 | A- | 0.1 | A- | 50.1 | A |
| HSBC | 96.7 | AA- | 142.5 | AA- | 27.5 | AA- |
| Nordea | 122.8 | AA- | 314.7 | AA- | 342.2 | AA- |
| Skandinaviska Enskilda Banken | 0.0 | A+ | 0.0 | A+ | - | A+ |
| Svenska Handelsbanken | 0.1 | AA- | 0.1 | AA- | 0.1 | AA- |
| Other | 18.1 | - | 7.1 | - | 5.1 | - |
| | 337.7 | | 464.5 | | 425.0 | |

The effective rate of interest for short-term investments was 1.8 % on December 31, 2013 (2011: 3.37 %). These investments had an average due date of 14 days (2011: 89 days). At December 31, 2012, Axis had no short-term investments. Axis has an unutilized credit facility of SEK 500 M (2012: 360, 2011: 200).

Note 17 Share capital

The company's share capital consists of 69,461,250 (2012: 69,461,250, 2011: 69,461,250) shares of the same class. The share's quota value amounts to SEK 0.01.

Note 18 Other reserves in Equity

| | Hedging reserve | Translation reserve | Total |
|--|-----------------|---------------------|-------|
| Balance brought forward at January 1, 2011 | -8.5 | 0.2 | -8.3 |
| Translation differences | - | -1.7 | -1.7 |
| Balance carried forward at December 31, 2011 | -8.5 | -1.5 | -10.0 |
| Balance brought forward at January 1, 2012 | -8.5 | -1.5 | -10.0 |
| Translation differences | - | -4.1 | -4.1 |
| Balance carried forward at December 31, 2012 | -8.5 | -5.6 | -14.1 |
| Balance brought forward at January 1, 2013 | -8.5 | -5.6 | -14.1 |
| Translation differences | - | -4.5 | -4.5 |
| Balance carried forward at December 31, 2013 | -8.5 | -10.1 | -18.6 |

The amount in respect of cash flow hedges which has been transferred from equity to the income statement during the year is recognized net after tax and totaled SEK 0 (2012: SEK 0 M, 2011: SEK 0 M).

Note 19 Borrowing

| | Group | | | Parent Company | | |
|---------------------|--------------|--------------|--------------|----------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Short-term portion* | - | 140.0 | - | - | 140.0 | - |
| Long-term portion | - | - | - | - | - | - |
| | - | 140.0 | - | - | 140.0 | - |

* Short-term borrowing relates to 3 months or less and is recognized at fair value.

Note 20 Personnel

Distribution of the average number of employees:

| | Women | | | Men | | | Total | | |
|----------------------|-------|------|------|-------|------|------|-------|-------|-------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Parent Company | - | - | - | - | - | - | - | - | - |
| Argentina | 2 | 2 | - | 0 | 1 | - | 2 | 3 | - |
| Australia | 2 | 1 | - | 9 | 7 | 6 | 11 | 8 | 6 |
| Brazil | 9 | 8 | 11 | 14 | 13 | 8 | 23 | 21 | 19 |
| Chile | 1 | 1 | 1 | 2 | 1 | - | 3 | 2 | 1 |
| Colombia | 2 | 1 | - | 2 | 2 | - | 4 | 3 | - |
| United Arab Emirates | 3 | 3 | 2 | 12 | 9 | 6 | 15 | 12 | 8 |
| Finland | 0 | 0 | - | 1 | 1 | - | 1 | 1 | - |
| France | 14 | 13 | 12 | 12 | 12 | 11 | 26 | 25 | 23 |
| Hong Kong | 8 | 4 | 5 | 10 | 7 | 4 | 18 | 11 | 9 |
| India | 2 | 1 | 2 | 15 | 11 | 6 | 17 | 12 | 8 |
| Italy | 5 | 5 | 4 | 14 | 13 | 12 | 19 | 18 | 16 |
| Japan | 9 | 4 | 4 | 12 | 9 | 9 | 21 | 13 | 13 |
| Canada | 7 | 5 | 3 | 11 | 7 | 5 | 18 | 12 | 8 |
| China | 19 | 13 | 8 | 37 | 27 | 25 | 56 | 40 | 33 |
| Korea | 7 | 5 | 2 | 2 | 2 | 5 | 9 | 7 | 7 |
| Malaysia | 1 | 0 | 1 | 4 | 3 | 2 | 5 | 3 | 3 |
| Mexico | 6 | 5 | 3 | 11 | 6 | 6 | 17 | 11 | 9 |
| The Netherlands | 2 | 1 | 1 | 13 | 12 | 10 | 15 | 13 | 11 |
| Poland | 1 | 1 | - | 2 | 2 | - | 3 | 3 | - |
| Russia | 8 | 3 | 1 | 12 | 7 | 7 | 20 | 10 | 8 |
| Singapore | 17 | 14 | 11 | 14 | 13 | 10 | 31 | 27 | 21 |
| Spain | 2 | 2 | 2 | 12 | 12 | 11 | 14 | 14 | 13 |
| UK | 5 | 4 | 2 | 19 | 17 | 12 | 24 | 21 | 14 |
| Sweden | 218 | 191 | 163 | 695 | 595 | 516 | 913 | 786 | 679 |
| South Africa | 6 | 6 | 3 | 11 | 6 | 7 | 17 | 12 | 10 |
| Taiwan | 4 | 2 | 2 | 3 | 3 | 3 | 7 | 5 | 5 |
| Czech Republic | 3 | 2 | - | 5 | 3 | 1 | 8 | 5 | 1 |
| Turkey | 1 | 1 | - | 2 | 2 | 1 | 3 | 3 | 1 |
| Germany | 16 | 8 | 8 | 21 | 23 | 15 | 37 | 31 | 23 |
| USA | 44 | 35 | 26 | 131 | 111 | 87 | 175 | 146 | 113 |
| Group total | 424 | 341 | 277 | 1,108 | 937 | 785 | 1,532 | 1,278 | 1,062 |

Salaries and remuneration totaled:

| | Board & CEO | | | Others | | | Total | | |
|----------------|-------------|------|------|--------|-------|-------|-------|-------|-------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Parent Company | - | - | - | - | - | - | - | - | - |
| Subsidiaries | 6.1 | 4.1 | 7.5 | 775.8 | 643.2 | 529.7 | 781.9 | 647.3 | 537.2 |
| Group total | 6.1 | 4.1 | 7.5 | 775.8 | 643.2 | 529.7 | 781.9 | 647.3 | 537.2 |

Salaries and remuneration to the Board of Directors and the President and CEO were paid through the subsidiary company, Axis Communications AB. Seven of the board members and the President and CEO are men (five of the board members and the President and CEO were men in 2012 and in 2011). The table above does not include directors' fees.

Note 20 (continued)

| | Salaries and remuneration | | | Social security contributions | | | (of which pension expenses) | | |
|----------------|---------------------------|-------|-------|-------------------------------|-------|-------|-----------------------------|------|------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Parent Company | - | - | - | - | - | - | - | - | - |
| Subsidiaries | 781.9 | 647.3 | 537.2 | 253.8 | 205.5 | 168.0 | 65.6 | 55.2 | 41.9 |
| Group total | 781.9 | 647.3 | 537.2 | 253.8 | 205.5 | 168.0 | 65.6 | 55.2 | 41.9 |

Remuneration to the board of directors

| | Group | | |
|-----------------|-------|------|------|
| | 2013 | 2012 | 2011 |
| Directors' fees | 1.0 | 1.2 | 1.2 |
| | 1.0 | 1.2 | 1.2 |

Remuneration to senior executives

The chairman and board members receive directors' fees of SEK 1.0 M in total in accordance with the resolution of the Annual General Meeting. Of the approved fees, SEK 500,000 is payable to the chairman of the board, and SEK 250,000 to each of the other board members. However, no directors' fees are payable to board members who are employees of the Axis Group or members who represent major shareholders. No special fee is payable for committee work.

Remuneration to the President and CEO and other senior executives consists of basic salary, variable remuneration and pension. The term other senior executives refers to the eight people (2012: 8, 2011: 7) who, along with the President and CEO, constitute the Group Management.

The apportionment between basic salary and bonus will be proportionate to the executive's responsibility and authority. During the 2013 fiscal year, the bonus amount was maximized at 240 percent of an annual salary for the President and CEO. For the other senior executives, the highest individual bonus amount was maximized at 80 percent of an annual salary. For the 2014 fiscal year, the bonus amounts are maximized at 240 percent of an annual salary for the President and CEO and the highest individual amount for the other senior executives is 80 percent of an annual salary. The bonuses for the President and CEO, and the senior executives are based on the financial targets for the group.

The results for the 2013 fiscal year have been charged with SEK 2.7 M in bonus for the President and CEO and SEK 3.3 M in total for the other senior executives. Of the eight senior executives (2012: 8, 2011: 7) six are men (2012: 6, 2011: 5) and two are women (2012: 2, 2011: 2).

Remuneration and other benefits in respect of the board of directors and senior executives are shown in the table below.

| 2011 | Basic salary/fees | Bonus | Other benefits | Pension expense | Other remuneration | Total |
|---|-------------------|-------|----------------|-----------------|--------------------|-------|
| Lars-Erik Nilsson (Chairman of the Board) | 0.4 | - | - | - | - | 0.4 |
| Charlotta Falvin | 0.2 | - | - | - | - | 0.2 |
| Olle Isberg | 0.2 | - | - | - | - | 0.2 |
| Göran Jansson | 0.2 | - | - | - | - | 0.2 |
| Roland Vejdemo | 0.2 | - | - | - | - | 0.2 |
| Martin Gren (employed by Axis) | 0.9 | 0.1 | 0.0 | 0.2 | - | 1.2 |
| Ray Mauritsson (President & CEO) | 2.2 | 4.3 | 0.0 | 2.4 | - | 8.9 |
| Other senior executives (7) | 8.3 | 5.1 | 0.0 | 2.0 | - | 15.4 |
| | 12.6 | 9.5 | 0.0 | 4.7 | - | 26.8 |

Note 20 (continued)

| 2012 | Basic salary/fees | Bonus | Other benefits | Pension expense | Other remuneration | Total |
|---|-------------------|------------|----------------|-----------------|--------------------|-------------|
| Lars-Erik Nilsson (Chairman of the Board) | 0.4 | - | - | - | - | 0.4 |
| Charlotta Falvin | 0.2 | - | - | - | - | 0.2 |
| Olle Isberg | 0.2 | - | - | - | - | 0.2 |
| Göran Jansson | 0.2 | - | - | - | - | 0.2 |
| Roland Vejdemo | 0.2 | - | - | - | - | 0.2 |
| Martin Gren (employed by Axis) | 1.0 | 0.0 | 0.0 | 0.3 | - | 1.3 |
| Ray Mauritsson (President & CEO) | 2.3 | 0.8 | 0.0 | 1.7 | - | 4.8 |
| Other senior executives (8) | 9.8 | 1.0 | 0.0 | 2.8 | - | 13.6 |
| | 14.3 | 1.8 | 0.0 | 4.8 | - | 20.9 |
| 2013 | Basic salary/fees | Bonus | Other benefits | Pension expense | Other remuneration | Total |
| Roland Vejdemo (Chairman of the Board) | 0.5 | - | - | - | - | 0.5 |
| Charlotta Falvin | 0.3 | - | - | - | - | 0.3 |
| Olle Isberg (represents the shareholder LMK Industri AB) | - | - | - | - | - | - |
| Göran Jansson | 0.3 | - | - | - | - | 0.3 |
| Gustaf Brandberg (represents the shareholder Inter Indu AB) | - | - | - | - | - | - |
| Martin Gren (employed by Axis) | 1.0 | 0.0 | 0.0 | 0.2 | - | 1.2 |
| Ray Mauritsson (President & CEO) | 2.4 | 2.7 | 0.0 | 1.4 | - | 6.5 |
| Other senior executives (8) | 12.2 | 3.3 | 0.1 | 2.9 | - | 18.5 |
| | 16.6 | 6.0 | 0.1 | 4.5 | - | 27.2 |

The bonus shown in the tables refers to the bonus that relates to the current fiscal year and which is disbursed during the next fiscal year. Bonus for fiscal year 2013 will be disbursed during 2014. Bonus of SEK 0.8 M for the fiscal year 2012 was disbursed during 2013 (2012: 4.3) to the President and CEO during 2013 and a total of SEK 1.0 M (2012: 5.1) to other senior executives. For information on how the bonus is calculated, see above.

Other benefits and other remuneration are received on a corresponding basis to other employees.

The retirement age for the President and CEO and other senior executives is 65. The pension insurance premium for the President and CEO shall amount to 35 percent of the pensionable salary up to a maximum of 28.5 basic amounts. For salary in excess of 28.5 basic amounts, a premium of 25 percent is paid. For other senior executives the ITP agreement is applied. For salary components in excess of the ITP agreement's wage ceiling, a premium of 30 % is paid.

Pensions

The group operates both defined benefit and defined contribution pension plans. Employees in the foreign units have defined-contribution pension plans. The ITP agreement applies for employees in Sweden, which is an agreement between the Confederation of Swedish Enterprise and the Council for Negotiation and Cooperation (PTK) governing salaried employees' occupational pension. The ITP agreement contains two parts; ITP 1 and ITP 2. ITP 1 is a defined-contribution pension plan while ITP 2 has a defined-benefit retirement and family pension.

Note 20 (continued)

The ITP 2 plan's defined-benefit retirement and family pension obligations are secured through insurance with Alecta. According to statement UFR 3 from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, Classification of ITP plans financed through insurance in Alecta, this is a multi-employer defined-benefit plan. For the fiscal year 2013, the company did not have access to the information required to report its proportional share of the plan's obligations, plan assets and costs, which means that it has not been possible to report it as a defined-benefit plan. The ITP 2 pension plan secured through insurance with Alecta is therefore recognized as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated and depends on factors such as salary, previously earned pension and anticipated remaining period of service. The pension contributions for the ITP insurance with Alecta amounted to SEK 15.0 M in 2013 (2012: 14.1 2011: 8.8). Expected fees for the next fiscal year amount to SEK 16.3 M. The group's share of the combined fees to the plan is negligible. At the end of 2013, Alecta's surplus in the form of the collective consolidation level amounted to 149 percent (1) (2012: 129, 2011: 113). The collective consolidation level is calculated as the market value of Alecta's asset portfolio in relation to insurance obligations according to actuarial methods and assumptions set by Alecta, which do not comply with IAS 19.

¹⁾The figure is preliminary.

Termination benefits

In the event of termination of employment of the President and CEO, a mutual period of notice of 6 months applies. If notice of termination is given by the company, termination benefits equivalent to 12 cash monthly salaries are payable. The termination benefits are not set off against other income. In the event that the President gives notice, no termination benefits will be payable.

A mutual period of notice of three to six months applies between the company and the other senior executives. If notice of termination is given by the company, termination benefits corresponding to six cash monthly salaries are payable to certain senior executives, whereas other senior executives are not entitled to termination benefits. In the event of termination by any of the senior executives, no termination benefits will be payable.

Change in control clause

No agreements exist, with the exception of employment contracts, the essential contents of which have been commented upon above, between the company and the directors or employees which prescribe that remuneration shall be payable if they: give notice; are served with notice without reasonable grounds; or if their employment is terminated as a consequence of a public takeover bid in respect of the shares in the company.

Preparatory and decision processes

During the year, the remuneration committee submitted recommendations to the board in respect of principles for the remuneration of senior executives. The recommendations covered the proportions between fixed salary and bonus, and the size of any salary increases. The remuneration committee also proposed criteria for assessing bonus outcomes etc. The board has discussed the remuneration committee's proposals, and reached decisions in line with the committee's recommendations.

Remuneration to the President and CEO for the fiscal year 2013 was determined by the board on the basis of the remuneration committee's recommendation. Remuneration to other senior executives was determined by the President and CEO in consultation with the remuneration committee. The Annual General Meeting on April 16, 2013 resolved to adopt the board's proposal for guidelines regarding determination of salary and other remuneration to the President and CEO and other senior executives.

Note 21 Other provisions

| | Group | | |
|---|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Warranty provision | 73.9 | 76.6 | 38.3 |
| Of which short-term portion ¹⁾ | -29.9 | -38.6 | -14.7 |
| Web domains, Mexico | 0.7 | 1.3 | 2.1 |
| Of which short-term portion ²⁾ | -0.7 | -0.7 | -0.7 |
| | 44.0 | 38.6 | 25.0 |

| | Group | | |
|---|-------|------|------|
| | 2013 | 2012 | 2011 |
| Provisions brought forward | 38.6 | 25.0 | 16.6 |
| Changes during the year, warranty provision | 6.0 | 14.3 | 7.0 |
| Changes during the year, web domain, Mexico | -0.6 | -0.7 | 1.4 |
| Provisions carried forward | 44.0 | 38.6 | 25.0 |

¹⁾The short-term portion of the warranty provision refers to the portion which is expected to be settled within one year.

²⁾The item is settled based on the purchase agreement which contains two settlement periods and extends to 2014. The portion that falls due within one year is included here.

Note 22 Trade payables and other liabilities

| | Group | | |
|---|--------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Accounts payable | 439.1 | 314.3 | 289.5 |
| Other liabilities | 48.8 | 34.4 | 16.3 |
| Short-term portion of warranty provision | 29.9 | 38.6 | 14.7 |
| Social security contributions and other taxes | 61.7 | 47.3 | 34.2 |
| Accrued expenses | 263.0 | 184.0 | 225.8 |
| | 842.5 | 618.6 | 580.5 |

Note 26 Participations in subsidiaries

| Shares owned by the Parent Company | Registered office | Corporate registration no. | Share of votes and equity | Number of shares | Par value | Carrying amount | | |
|---|-------------------|----------------------------|---------------------------|------------------|-----------|-----------------|--------------|--------------|
| | | | | | | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Axis Communications AB | Sweden, Lund | 556253-6143 | 99.9 % | 1,599 | 0.2 | 0.3 | 0.3 | 0.3 |
| Axis Communications de Argentina SA | Argentina | | 10 % | 50,000 | 0.1 | 0.0 | 0.0 | 0.0 |
| Axis Comunicaciones Chile Limitada | Chile | | 1 % | 0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Gren Et Karlsson Firmware AB | Sweden, Lund | 556304-6209 | 100 % | 500 | 0.1 | 0.1 | 0.1 | 0.1 |
| Axis Technologies AB | Sweden, Lund | 556485-0765 | 100 % | 500 | 0.1 | 0.1 | 0.1 | 0.1 |
| Axis Alfa AB | Sweden, Lund | 556599-4547 | 100 % | 500 | 0.1 | 0.1 | 0.1 | 0.1 |
| Axis Beta AB | Sweden, Lund | 556599-4588 | 100 % | 500 | 0.1 | 0.1 | 0.1 | 0.1 |
| Axis Gamma AB | Sweden, Lund | 556599-4562 | 100 % | 500 | 0.1 | 0.1 | 0.1 | 0.1 |
| Axis Komünikasyon Hizmetleri Ve Ticaret Ltd Şirketi | Turkey | | 1 % | 4 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | 0.7 | 0.7 | 0.7 |

Note 23 Profit/loss from participations in group companies

| | Parent Company | | |
|---|----------------|-------|-------|
| | 2013 | 2012 | 2011 |
| Group contributions received | 437.4 | 498.4 | 600.3 |
| Group contributions paid | -0.1 | -0.2 | -0.1 |
| Anticipated dividends from subsidiaries | 14.3 | 42.2 | 57.5 |
| | 451.6 | 540.4 | 657.7 |

Note 24 Interest income and similar profit/loss items

| | Parent Company | | |
|--------------------------------------|----------------|------|------|
| | 2013 | 2012 | 2011 |
| Interest income | 1.2 | 0.9 | 2.4 |
| Interest income from group companies | 0.3 | 0.4 | 0.3 |
| Exchange differences | 0.3 | 14.5 | 1.4 |
| | 1.8 | 15.8 | 4.0 |

Note 25 Interest expenses and similar profit/loss items

| | Parent Company | | |
|--------------------------------------|----------------|------|-------|
| | 2013 | 2012 | 2011 |
| Interest expenses | -3.0 | -6.1 | -1.2 |
| Interest expenses to group companies | - | - | -0.5 |
| Exchange differences | -17.4 | -0.9 | -13.8 |
| Other financial expenses | -0.1 | -0.1 | -0.2 |
| | -20.5 | -7.1 | -15.7 |

Note 26 (continued)

| Shares owned by subsidiaries | Registered office | Corporate registration no. | Share of equity |
|---|----------------------|----------------------------|-----------------|
| Axis Communications de Argentina SA | Argentina | | 90.0 %* |
| Axis Communications Pty Ltd | Australia | | 100.0 % |
| Axis Communications Com e Serv Ltda | Brazil | | 99.9 %* |
| Axis Comunicaciones Chile Limitada | Chile | | 99.0 %* |
| Axis Communications Colombia SAS | Colombia | | 100.0 % |
| Axis Communications FZE | United Arab Emirates | | 100.0 % |
| Axis Communications Oy | Finland | | 100.0 % |
| Axis Communications SA | France | | 100.0 % |
| Axis Video Systems India Private Limited | India | | 99.9 %* |
| Axis Communications S.r.l. | Italy | | 100.0 % |
| Axis Communications KK | Japan | | 100.0 % |
| Axis Communications Inc, Canada | Canada | | 100.0 % |
| Axis Communications Ltd | China, Hong Kong | | 100.0 % |
| Shanghai Axis Communication Equipment Trading Co. Ltd | China, Shanghai | | 100.0 % |
| Axis Communications Korea Co. Ltd | Korea | | 100.0 % |
| Axis Communications Video Sdn. Bhd. | Malaysia | | 100.0 % |
| Axis LAC S.A. de C.V. | Mexico | | 100.0 % |
| Axis Communications BV | The Netherlands | | 100.0 % |
| Axis Communications sp. z.o.o. | Poland | | 100.0 % |
| Axis Communications OOO | Russia | | 100.0 % |
| Axis Communications (S) Pte Ltd | Singapore | | 100.0 % |
| AxerNet Communications SA | Spain | | 100.0 % |
| Axis Communications (UK) Ltd | UK | | 100.0 % |
| Axis Network AB | Sweden, Lund | 556505-3450 | 100.0 % |
| Axis Peripherals AB | Sweden, Lund | 556505-1785 | 100.0 % |
| Axis Communications (SA) (Pty) Ltd | South Africa | | 100.0 % |
| Axis Communications Taiwan Co., Ltd | Taiwan | | 100.0 % |
| Axis Communications s.r.o. | Czech Republic | | 100.0 % |
| Axis Komünikasyon Hizmetleri Ve Ticaret Ltd Şirketi | Turkey | | 99 %* |
| Axis Communications GmbH | Germany | | 100.0 % |
| Axis Communications Inc | USA | | 100.0 % |
| Axis Communications New Zealand Ltd | New Zealand | | 100.0 % |

*The remaining share is owned by Axis AB.

Note 27 Contingent liabilities

| Contingent liabilities | Group | | | Parent Company | | |
|---|--------------|--------------|--------------|----------------|--------------|--------------|
| | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 | Dec 31, 2013 | Dec 31, 2012 | Dec 31, 2011 |
| Customs bond | 6.0 | 6.0 | 6.0 | - | - | - |
| Contingent liabilities on behalf of other group companies | - | - | - | 26.8 | 26.1 | 27.4 |
| | 6.0 | 6.0 | 6.0 | 26.8 | 26.1 | 27.4 |

Note 28 Cash flow from operations

| | Group | | | Parent Company | | |
|---|--------------|--------------|--------------|----------------|------------|-------------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| Net profit/loss before financial items | 640.3 | 574.4 | 633.3 | -11.5 | -10.5 | -8.4 |
| Adjusted for: | | | | | | |
| - depreciation of property, plant and equipment | 38.4 | 33.2 | 27.5 | - | - | - |
| - amortization of intangible assets | 17.0 | 16.8 | 9.0 | 2.4 | 2.4 | 2.4 |
| - other items not affecting cash flow | 2.1 | 33.6 | 11.2 | - | - | 1.5 |
| Change in working capital | | | | | | |
| - inventories | -100.8 | -127.7 | -116.7 | - | - | - |
| - trade receivables and other receivables | -119.7 | 22.4 | -118.9 | -0.6 | 12.8 | -0.8 |
| - trade payables and other liabilities | 130.4 | 49.2 | 116.5 | 0.3 | -0.4 | 2.2 |
| Cash flow from operating activities | 607.7 | 601.9 | 561.9 | -9.4 | 4.3 | -3.1 |

Note 29 Key ratio definitions

Equity/assets ratio – Equity as a percentage of the balance sheet total

Return on total assets – Profit/loss after financial items plus financial expenses divided by average balance sheet total

Return on equity – Profit/loss after financial items and tax divided by average equity

Earnings per share before dilution – Net profit/loss for the year divided by the average number of shares

Earnings per share after dilution – Net profit/loss for the year divided by the average number of shares after estimated dilution by share options

Signatures

The Board of Directors and the President affirm that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS as adopted by the EU and provide a true and fair view of the group's financial position and results of operations. The financial statements have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the parent company's financial position and results of operations.

The statutory administration report for the group and the parent company provides a true and fair review of the development of the group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies forming part of the group.

The consolidated income statements and balance sheets and those of the parent company shall be adopted at the annual general meeting on April 28, 2014.

Lund, January 30, 2014

Roland Vejdemo
Chairman

Ray Mauritsson
President and CEO

Göran Jansson
Board member

Martin Gren
Board member

Charlotta Falvin
Board member

Olle Isberg
Board member

Gustaf Brandberg
Board member

Kalle Bergdahl
Employee representative

Cristian Ionescu-Ildbohrn
Employee representative

Our audit report was submitted on February 14, 2014.

PricewaterhouseCoopers AB

Ola Bjärehäll
*Authorized Public Accountant
Chief Auditor*

Audit report

To the Annual General Meeting of the shareholders of Axis AB (publ), corporate identity number 556241-1065.

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and consolidated financial statements for Axis AB (publ) for the year 2013. The company's annual accounts and consolidated financial statements are presented in the printed version of this document on pages 43–68.

The Board of Directors and the President are responsible for the annual accounts and consolidated financial statements

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2013 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2013 and of its financial performance and cash flows in accordance with International Financial Reporting as adopted by the EU, and the Annual Accounts Act. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Axis AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' explanatory statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

We recommend to the Annual Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Lund, February 14, 2014
PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized Public Accountant
Chief Auditor

Multi-year summary

| INCOME STATEMENT (SEK M) | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net sales | 2,300.7 | 2,933.0 | 3,577.6 | 4,183.5 | 4,716.8 |
| Cost of goods and services sold | -1,064.5 | -1,446.7 | -1,750.2 | -2,080.0 | -2,286.6 |
| Gross profit | 1,236.2 | 1,486.3 | 1,827.4 | 2,103.5 | 2,430.2 |
| Other income and changes in value | -49.2 | -23.2 | 17.2 | -30.9 | -8.0 |
| Selling and marketing expenses | -455.5 | -553.6 | -610.4 | -747.5 | -864.4 |
| Administrative expenses | -91.3 | -113.3 | -135.8 | -171.0 | -208.9 |
| Research and development expenses | -332.1 | -382.1 | -467.6 | -579.7 | -708.6 |
| Operating profit | 308.1 | 414.1 | 630.8 | 574.4 | 640.3 |
| Net financial items | -1.4 | -1.3 | 0.2 | -5.6 | -3.1 |
| Profit after financial items | 306.7 | 412.8 | 631.0 | 568.8 | 637.2 |
| Tax on net profit/loss | -88.9 | -113.0 | -175.3 | -141.5 | -158.3 |
| Net profit for the year | 217.8 | 299.8 | 455.7 | 427.3 | 478.9 |

| BALANCE SHEET (SEK M) | Dec 31, 2009 | Dec 31, 2010 | Dec 31, 2011 | Dec 31, 2012 | Dec 31, 2013 |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Non-current assets | 130.9 | 141.4 | 186.7 | 210.9 | 270.5 |
| Inventories | 224.0 | 294.2 | 410.9 | 536.0 | 636.8 |
| Trade receivables | 360.5 | 358.8 | 458.3 | 391.9 | 592.0 |
| Other receivables | 58.8 | 56.1 | 58.7 | 92.8 | 105.9 |
| Cash and cash equivalents | 301.8 | 366.3 | 425.0 | 464.5 | 337.7 |
| Total | 1,076.0 | 1,216.8 | 1,539.6 | 1,696.1 | 1,942.9 |
| Equity | 608.4 | 627.2 | 768.6 | 809.8 | 936.9 |
| Non-current liabilities | 61.7 | 92.9 | 101.8 | 124.6 | 163.5 |
| Current liabilities | 405.9 | 496.7 | 669.2 | 761.7 | 842.5 |
| Total | 1,076.0 | 1,216.8 | 1,539.6 | 1,696.1 | 1,942.9 |

| CASH FLOW STATEMENT (SEK M) | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------|-------------|-------------|-------------|---------------|
| Cash flow from operating activities before change in working capital | 299.2 | 368.6 | 573.7 | 416.7 | 567.6 |
| Change in working capital | -75.2 | 22.8 | -119.4 | -56.1 | -90.1 |
| Cash flow from operating activities | 224.0 | 391.4 | 454.3 | 360.6 | 477.5 |
| Cash flow from investing activities | -62.2 | -51.7 | -82.0 | -79.1 | -117.0 |
| Cash flow from financing activities | -73.4 | -275.2 | -313.6 | -242.0 | -487.3 |
| Cash flow for the period | 88.4 | 64.5 | 58.7 | 39.5 | -126.8 |
| Cash and cash equivalents at the start of the period | 213.4 | 301.8 | 366.3 | 425.0 | 464.5 |
| Cash and cash equivalents at the end of the period | 301.8 | 366.3 | 425.0 | 464.5 | 337.7 |

| OPERATING CASH FLOW (SEK M) | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Profit after financial items | 306.7 | 412.8 | 631.0 | 568.8 | 637.2 |
| Depreciation/amortization | 38.7 | 41.1 | 36.5 | 50.0 | 55.4 |
| Tax | -46.9 | -85.3 | -107.9 | -237.4 | -128.2 |
| Total | 298.5 | 368.6 | 559.6 | 381.4 | 564.4 |
| Change in working capital | -75.2 | 22.8 | -119.4 | -56.1 | -90.1 |
| Net investment | -62.2 | -51.7 | -82.0 | -79.1 | -117.0 |
| Operating cash flow | 161.1 | 339.7 | 358.2 | 246.2 | 357.3 |

| KEY RATIOS | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------------|-------------|-------------|-------------|-------------|
| Net sales growth, % | 16.5 | 27.5 | 22.0 | 16.9 | 12.7 |
| Gross margin, % | 53.7 | 50.7 | 51.1 | 50.3 | 51.5 |
| Operating margin, % | 13.4 | 14.1 | 17.7 | 13.8 | 13.6 |
| Profit margin, % | 13.3 | 14.1 | 17.6 | 13.6 | 13.5 |
| Depreciation/amortization, SEK M | 38.7 | 41.1 | 36.5 | 50.0 | 55.4 |
| Equity, SEK M | 608 | 627 | 769 | 810 | 937 |
| Capital employed, SEK M | 683 | 720 | 870 | 991 | 984 |
| Interest-bearing liabilities, SEK M | - | - | - | 140 | - |
| Net debt, SEK M | 302 | 366 | 425 | 325 | 338 |
| Balance sheet total, SEK M | 1,076 | 1,217 | 1,540 | 1,696 | 1,943 |
| Return on capital employed, % | 54.0 | 59.2 | 79.6 | 61.8 | 64.8 |
| Return on total assets, % | 31.8 | 35.5 | 44.9 | 34.7 | 35.2 |
| Return on equity, % | 43.1 | 49.3 | 66.6 | 53.1 | 56.9 |
| Interest coverage ratio, multiple | 220.1 | 191.4 | 276.4 | 88.5 | 206.5 |
| Equity/assets ratio, % | 56.5 | 51.5 | 49.9 | 47.7 | 48.2 |
| Proportion of risk-bearing capital, % | 61.2 | 57.7 | 54.7 | 52.7 | 54.2 |
| Capital turnover ratio, multiple | 4.0 | 4.2 | 4.5 | 4.5 | 4.8 |
| Number of employees (average for the period) | 764 | 848 | 1,039 | 1,278 | 1,532 |
| Sales per employee, SEK M | 3.0 | 3.5 | 3.4 | 3.3 | 3.1 |
| Operating profit per employee, SEK M | 0.4 | 0.5 | 0.6 | 0.5 | 0.4 |
| PER-SHARE DATA | 2009 | 2010 | 2011 | 2012 | 2013 |
| Profit after financial items, SEK | 4.42 | 5.95 | 9.08 | 8.19 | 9.17 |
| Cash flow, SEK per share | 1.27 | 0.93 | 0.85 | 0.57 | -1.83 |
| Equity, SEK per share | 8.77 | 9.03 | 11.07 | 11.66 | 13.49 |
| Share price at end of the period | 83.75 | 122.50 | 138.50 | 177.50 | 223.80 |
| Price/equity, percent per share | 955 | 1,357 | 1,252 | 1,523 | 1,659 |
| Dividend paid | 1.25 | 4.00 | 4.50 | 5.50 | 5.00 |
| P/E ratio | 27 | 28 | 21 | 29 | 32 |
| P/S ratio | 2.53 | 2.90 | 2.69 | 2.95 | 3.30 |
| Earnings per share before dilution, SEK | 3.14 | 4.32 | 6.56 | 6.15 | 6.89 |
| Earnings per share after dilution, SEK | 3.14 | 4.32 | 6.56 | 6.15 | 6.89 |
| Number of shares before dilution, average, thousands | 69,374 | 69,406 | 69,461 | 69,461 | 69,461 |
| Average number of shares after dilution, average, thousands | 69,423 | 69,406 | 69,461 | 69,461 | 69,461 |
| Number of outstanding shares (thousands) | 69,376 | 69,461 | 69,461 | 69,461 | 69,461 |
| Average number of shares, (thousands) | 69,374 | 69,406 | 69,461 | 69,461 | 69,461 |

Quarterly data

| | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Full year 2013 |
|---|--------------|----------------|----------------|----------------|--------------|----------------|----------------|----------------|-------------------|
| Invoiced sales per product group (SEK M) | | | | | | | | | |
| Video | 876.6 | 1,039.1 | 1,065.0 | 1,177.5 | 979.8 | 1,112.8 | 1,318.8 | 1,296.6 | 4,708.0 |
| Other | 4.7 | 4.4 | 14.2 | 2.0 | 1.7 | 1.6 | 3.6 | 1.9 | 8.8 |
| Total | 881.3 | 1,043.5 | 1,079.2 | 1,179.5 | 981.5 | 1,114.4 | 1,322.4 | 1,298.5 | 4,716.8 |

| | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Full year 2013 |
|--|--------------|----------------|----------------|----------------|--------------|----------------|----------------|----------------|-------------------|
| Invoiced sales per region (SEK M) | | | | | | | | | |
| EMEA | 331.8 | 377.0 | 384.9 | 484.9 | 353.4 | 362.5 | 511.1 | 537.1 | 1,764.1 |
| Americas | 449.0 | 542.7 | 569.9 | 555.9 | 512.9 | 617.9 | 653.0 | 580.0 | 2,363.8 |
| Asia | 100.5 | 123.8 | 124.4 | 138.7 | 115.2 | 134.0 | 158.3 | 181.4 | 588.9 |
| Total | 881.3 | 1,043.5 | 1,079.2 | 1,179.5 | 981.5 | 1,114.4 | 1,322.4 | 1,298.5 | 4,716.8 |

| | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Full year 2013 |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------|
| Income statement (SEK M) | | | | | | | | | |
| Net sales | 881.3 | 1,043.5 | 1,079.2 | 1,179.5 | 981.5 | 1,114.4 | 1,322.4 | 1,298.5 | 4,716.8 |
| Gross profit | 439.7 | 515.1 | 548.2 | 600.5 | 505.3 | 568.1 | 696.2 | 660.6 | 2,430.2 |
| Gross margin, % | 49.9 | 49.4 | 50.8 | 50.9 | 51.5 | 51.0 | 52.6 | 50.9 | 51.5 |
| Operating profit | 79.1 | 121.1 | 168.4 | 206.7 | 89.3 | 126.5 | 258.4 | 166.0 | 640.3 |
| Operating margin, % | 9.0 | 11.6 | 15.6 | 17.5 | 9.1 | 11.4 | 19.5 | 12.8 | 13.6 |
| Profit after financial items | 78.4 | 119.5 | 166.2 | 204.7 | 88.1 | 125.9 | 257.6 | 165.5 | 637.2 |

Definitions

Capital employed

The balance sheet total less non interest-bearing liabilities including deferred tax liability.

Capital turnover rate

Net sales divided by average capital employed.

Cash flow per share

Cash flow for the year divided by the average number of shares.

Earnings per share

Net profit for the year by the average number of shares.

Equity/assets ratio

Equity including minority interest as a percentage of the balance sheet total

Equity per share

Equity divided by the number of outstanding shares.

Gross margin

Gross profit as a percentage of net sales.

Interest coverage ratio

Profit after financial items plus financial expenses divided by financial expenses.

Net debt

Net interest-bearing receivables and liabilities.

Operating margin

Operating profit as a percentage of sales.

Operating margin after depreciation of property, plant and equipment

Operating profit after depreciation of property, plant and equipment as a percentage of sales.

P/E

Market value divided by profit after full tax.

P/S

Market value divided by net sales.

Profit margin

Profit after financial items as a percentage of sales.

Profit per employee

Operating profit after depreciation/amortization divided by the average number of full-time employees.

Proportion of risk-bearing capital

Equity plus minority interests and deferred tax liabilities as a percentage of the balance sheet total.

Return on capital employed

Profit after financial items plus financial expenses divided by average capital employed.

Return on equity

Profit after financial items less full tax divided by average equity.

Return on total assets

Profit after financial items plus financial expenses divided by average balance sheet total.

Sales per employee

Sales divided by the average number of full-time employees.

Corporate Governance Report 2013

Axis' Corporate Governance Report for 2013 is presented below, and has been reviewed by the company's auditor. The report describes the division of responsibilities within Axis and also how the company's three decision-making bodies – the annual general meeting, board of directors and President – operate and interact.

Corporate governance is the system whereby the owners, directly or indirectly, govern and control the company. In a stock corporation such as Axis, governance, management and control are distributed among the shareholders, the board of directors and the President in accordance with prevailing laws, regulations and instructions.

Axis AB (publ) (hereafter "Axis") is a public Swedish stock corporation with its registered office in Lund, Sweden. Axis was floated on the Stockholm Stock Exchange in 2000 and is currently listed on NASDAQ OMX Stockholm's main market. The company follows the provisions of the Swedish Companies Act as well as the stock exchange regulations for listed companies in Sweden. The company has not committed any breaches of NASDAQ OMX Stockholm's rules and regulations or of best practice in the labor market.

Axis applies the Swedish Code for Corporate Governance (hereafter the "Code"). Axis does not deviate from the Code, with the exception of what is expressly stated below. Information about the Code may be found on www.bolagsstyrning.se.

Deviations from the Code

The company deviates from the Code in relation to item 2.1 that the nomination committee shall submit proposals regarding appointment and remuneration of auditors. At Axis, the board of directors instead prepares and conducts procurement of audit services, in consultation with the nomination committee. The board of directors appoints a special group to conduct the procurement. This group has special experience in questions relating to appointment and remuneration of auditors, which is considered to be of benefit to Axis and raises the quality of the procurement process.

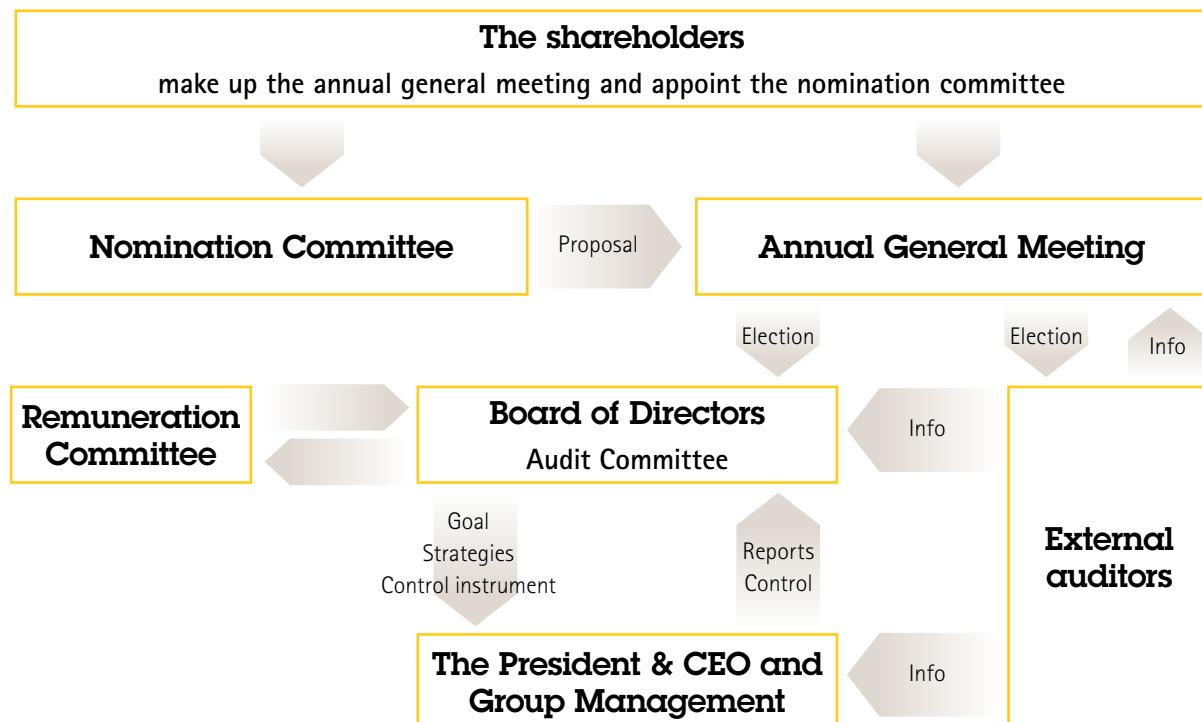
Share capital, voting rights and ownership

Axis had 18,326 shareholders at the end of 2013 according to the share register maintained by Euroclear Sweden AB. The company's principal owner is Inter Indu AB (14.49 percent of the share capital). Foreign investors' equity interest was 18.93 percent. The ten largest owners had total holdings corresponding to 57.15 percent of the share capital. For additional ownership data see page 41 in the printed annual report. The company's share capital totaled SEK 694,612 at year-end, distributed among 69,461,250 shares. All shares (at December 31, 2013) carry one vote and equal right to share in the company's assets and earnings.

Provisions in Articles of Association

The company's articles of association do not contain any limitations in respect of how many votes each shareholder may cast at a general meeting of shareholders.

Control model



There are no special provisions in the company's articles of association regarding appointment and dismissal of board members or regarding amendment of the articles of association.

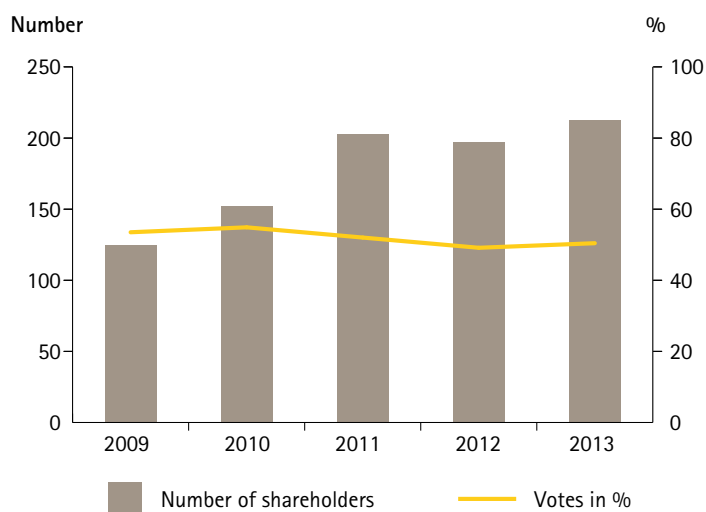
Annual General Meeting

The general meeting is Axis' highest decision-making body, and the forum through which the shareholders can exercise their influence over the company. The ordinary general meeting where the board shall submit the annual report and consolidated financial statements is called the Annual General Meeting (AGM). The auditors submit the audit report and the audit report for the group at the AGM. The particulars of the AGM are governed by the Swedish Companies Act and by the articles of association. The AGM of Axis is held annually in the Lund area during the first half of the year. The venue and date of the AGM will be announced in connection with the interim report for the third quarter in the preceding year. Information regarding the shareholders' right to have matters addressed at the AGM is published in the interim report for the third quarter in the year before the AGM and is available on the company's website from the time of the report's publication. The notice convening the AGM is published no later than four weeks prior to the AGM. At the AGM, information is provided about the company's performance during the past year and resolutions are passed on important questions. The shareholders are given the opportunity at the AGM to ask questions about the company and the results for the year in question. In order for shareholders to attend the AGM and vote for their shares held, they must be registered in the share register and have given notice of participation by the date stated in the convening notice. Those shareholders who cannot personally attend may exercise their votes by proxy. The company does not apply any special arrangements as regards the running of the AGM, either on account of provisions in the articles of association or, as far as the company knows, shareholders' agreements.

Annual General Meeting April 16, 2013

The AGM which was held in Lund on April 16, 2013 resolved as follows: The AGM resolved in accordance with the nomination committee's proposals, namely

Attendance Annual General Meetings 2009–2013



- > to elect six ordinary board members without any deputy board members,
- > to re-elect the board members Charlotta Falvin, Martin Gren, Olle Isberg, Göran Jansson and Roland Vejdemo,
- > to elect Gustaf Brandberg as a new board member,
- > to elect Roland Vejdemo as the new Chairman of the Board, and
- > that directors' fees shall be paid of SEK 1,000,000 in total to be allocated as follows: SEK 500,000 to the chairman of the board and SEK 250,000 to each of the other members, however, fees shall not be paid to members employed by the company or to members who represent large shareholders.

The AGM has not authorized the board to resolve that the company should issue new shares or acquire its own shares.

Main owners

| | Number of shares | Share of equity and votes |
|---|-------------------|---------------------------|
| C Brandberg privately and via company (Inter Indu AB) | 10,156,957 | 14.62 % |
| T Karlsson, privately and via company (LMK Industri AB) | 10,000,000 | 14.40 % |
| M Gren, via company (AB Grenspecialisten) | 7,357,471 | 10.59 % |
| Swedbank Robur Fonder | 3,257,240 | 4.69 % |
| Didner Et Gerge Fonder AB | 2,025,000 | 2.92 % |
| Other | 36,664,582 | 52.78 % |
| Total | 69,461,250 | 100.00 % |

The composition of the Nomination Committee

| Name | Representing | Share of votes as of Aug 30, 2013 |
|--------------------|---------------------|-----------------------------------|
| Christer Brandberg | Inter Indu AB | 14.49 % |
| Therese Karlsson | LMK Industri AB | 14.40 % |
| Martin Gren | AB Grenspecialisten | 10.59 % |

Nomination Committee 2013

The AGM resolves on how the nomination committee shall be appointed, and at the AGM 2013 it was resolved that Axis shall have a nomination committee comprising representatives of the three largest shareholders in the company as at August 31, in the year before the AGM. These shareholders shall each appoint a representative to the nomination committee by September 30, in the year before the AGM or at the latest six months prior to the AGM. Axis' Nomination Committee is composed of representatives from the three largest shareholders; Christer Brandberg (Inter Indu AB), Therese Karlsson (LMK Industri AB) and Martin Gren (AB Grenspecialisten). Christer Brandberg is Chairman and Convenor.

The work of the Nomination Committee

The task of the nomination committee is to prepare resolutions for the AGM on questions relating to election of board members and directors' fees, as well as certain procedural matters for the next nomination committee. The nomination committee shall give an account of its work at the AGM. Its proposals are presented in the notice convening the AGM and on the company's website. As a basis for its proposals, the nomination committee shall consider to what extent the present board meets the demands that will be made of the board, as a consequence of the company's situation and future direction, by acquainting itself with the result of the evaluation of the board that has taken place, among other things. Proposals and views from shareholders may either be submitted in writing to the address: Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, or by phone +46 46 272 18 00.

Board of Directors

During the period between annual general meetings, the board of directors of Axis constitutes the highest decision-making body in the company. The duties of the board are governed by the Swedish Companies Act and by the articles of association. The current articles of association were adopted at the AGM 2011 and are available in their entirety on www.axis.com. According to the company's articles of association, the board of directors shall consist of a minimum of three and a maximum of seven members, with a maximum of three deputy board members.

All nominated board members were present at the AGM on April 16, 2013. The chairman of the board Lars-Erik Nilsson, after ten years on the board, of which eight years as chairman, declared that he was not available for re-election either as chairman or as a member of the board. The board members Charlotta Falvin, Martin Gren, Olle Isberg, Göran Jansson and Roland Vejdemo were re-elected. New election took place of Gustaf Brandberg as a member of the board and of Roland Vejdemo as chairman of the board.

The board of directors thus consists of six members elected by the AGM. Since June 2013, two employee representatives are also members of the board, who under Swedish law are appointed by the trade unions IF Metal and SACO, along with a deputy member (SACO). The deputy employee representative normally attends board meetings.

Gustaf Brandberg is a board member in one of the three largest owners of the company. Martin Gren is employed by the subsidiary Axis Communications AB and via company is one of the three largest owners of the company. Olle Isberg is employed by the shareholder LMK Industri AB. The other board members Roland Vejdemo, Charlotta Falvin and Göran Jansson are independent in relation to Axis, the company management and the major shareholders.

Information regarding the remuneration to the board members resolved upon by the AGM may be found in the table below and in Note [19], Personnel. Other information about the board members may be found on page 81 of the printed annual report. Information about the shareholdings of board members may be found on page 81 of the printed annual report and on the company's website.

The formal work plan of the Board of Directors

Under the Swedish Companies Act, the board is responsible for drawing up and evaluating Axis' overall, long-term strategies and goals, adopting the budget and taking decisions affecting the operations and major investments in Axis' organization and operations. The formal work plan of the board is adopted annually by the board. In the formal work plan, and the board's instructions to the President and CEO, the duties of the board and the division of work and responsibilities between the board and the President and

Composition of the Board of Directors

| Name | Year elected | Independent | Total fees | Attendance | | |
|--|--------------|-------------|------------------|------------------------|----------------|--------------------|
| | | | | Remuneration Committee | Board meetings | Committee meetings |
| Roland Vejdemo | 2010 | Yes | 500,000 | Yes | 8 (8) | 1 (1) |
| Martin Gren | 1984 | No | – | – | 8 (8) | – |
| Olle Isberg | 2006 | No | – | Yes | 8 (8) | 1 (1) |
| Charlotta Falvin | 2006 | Yes | 250,000 | – | 8 (8) | – |
| Göran Jansson | 2007 | Yes | 250,000 | – | 7 (8) | – |
| Gustaf Brandberg | 2013 | No | – | – | 6 (8)* | – |
| Kalle Bergdahl (employee representative) | 2013 | – | – | – | 5 (8)** | – |
| Cristian Ionescu-Ildbohrn (employee representative) | 2013 | – | – | – | 4 (8)** | – |
| Petter Östlund (employee representative, deputy) | 2013 | – | – | – | 5 (8)** | – |
| Total | | | 1,000,000 | | | |

* Elected in April 2013 ** Elected in June 2013

CEO are described. It is incumbent on the President and CEO, in consultation with the chairman of the board, to prepare the decision data, the notification and the agenda for each board meeting. The notification and decision data are to be circulated to the board members in good time. The minutes are to be circulated to the board members after the meeting, and a copy stored securely by the company.

The role of the chairman of the board of Axis AB, among other things, is to monitor the progress of the business, to organize and lead the work of the board and to be responsible for ensuring that the other directors continually receive the information they require to carry out the work of the board with maintained quality and in accordance with the Swedish Companies Act.

The work of the Board during 2013

During the year, the board devoted a considerable part of its work to advancement of the focused strategy in the network video area and the impact of financial developments on the company's business. The board has closely followed the group's financial performance during the year through monthly reports and submissions by the group's CFO at all board meetings, among other ways. Furthermore, the board has dealt with questions such as;

- > the growth strategy for the Video product area and growth in different regions,
- > development activities, and
- > evaluation of new business areas.

The board conducts an annual evaluation of its work through the agency of the chairman. According to the formal work plan of the board at least five ordinary meetings must be held annually in addition to the statutory meeting. In addition to this, the board may convene when circumstances so require. During 2013, the board held eight board meetings including the statutory meeting. See table below for meeting attendance.

A presentation of the board may be found on page 81 in the printed annual report.

Committees

Remuneration Committee

The Board has appointed a Remuneration Committee. The task of the remuneration committee is to prepare the board's decisions and guidelines relating to salary and other terms of employment for the company management (including President) and other employees. The committee shall also comply with and evaluate the application of the guidelines for determination of salaries and other remuneration to the President and other members of the company management, which have been adopted by the AGM as well as comply with and evaluate any ongoing and completed during the year programs for variable remuneration to the company management and also in relation to remuneration structures and rates of compensation in the company.

The remuneration committee shall report to the board on an ongoing basis. The committee is appointed at the statutory meeting following the AGM and in 2013 was composed of Roland Vejdemo (chairman and convenor) and Olle Isberg. The two members of the committee held one recorded meeting during the year.

Audit Committee

Questions relating to internal control and audit are handled by the board in its entirety, for which reason no special audit committee has been appointed. The reason for this is that the board has particular experience of such questions and this competence is considered to be of benefit to Axis.

The President & CEO and Group Management

Axis' group management consists of nine members, and is led by the President and CEO, Ray Mauritsson (born 1962). Ray Mauritsson holds a Master of Science, Engineering physics from Lund University, and an Executive MBA from the Institute of Economics, at Lund University. He joined Axis in 1995, and took over as President and CEO in 2003. Prior to this, Ray Mauritsson held leading positions at TAC (now Schneider Electric). Ray Mauritsson is a director of HMS Industrial Networks but has no other significant assignments outside of Axis. Neither Ray Mauritsson nor related parties to him have any substantial shareholding or partnership in companies that Axis has significant business relations with.

For information about the President's and Group Management's shareholdings see pages 82–83 of the printed annual report and the company's website.

The President and CEO manages the day-to-day work, and is responsible for keeping the board informed of the performance of the operations, and for ensuring that they are being conducted in accordance with the board's guidelines and instructions. The President keeps the board and the chairman continually informed of the company's and the group's financial position and performance. The group management team held eleven recorded and a large number of informal meetings during the year. Furthermore, a special strategy meeting was held, which dealt with the following areas among others; the growth agenda, formulation of long-term goals and organizational challenges in the longer-term perspective.

Remuneration to the Board, Auditor, President and Senior Executives

Board of Directors

Directors' fees of SEK 1,000,000 are payable, according to the resolution of the AGM on April 16, 2013. The chairman receives fees of SEK 500,000 and each of the other board members who are not employed by the company and who do not represent large shareholders, receive fees of SEK 250,000.

No special fee is payable for committee work.

Auditor

Fees to auditors are payable according to approved invoice, pursuant to the resolution of the AGM on April 16, 2013.

President and Senior Executives

The principles for remuneration of the President and other persons in the company management were determined by the AGM on April 16, 2013. The guidelines essentially correspond to the principles that have been applied until now. The objective of Axis AB's remuneration policy for the senior executives shall be to offer compensation that promotes retaining and recruiting skilled expertise to the company.

Remuneration to the President and other members of the company management (that is, the eight persons who together

Read more about Axis' corporate governance

Read more about Axis' corporate governance on our website under About Axis/Investor relations/Corporate governance where the following information may be found:

- > Corporate Governance Reports
- > Articles of Association
- > Information from previous annual general meetings (convening notices, minutes, resolutions)
- > Information about the nomination committee
- > Information about principles for remuneration to senior executives
- > The board's evaluation of guidelines for payment of programs for variable remuneration
- > Report of systems for variable remuneration

with the President comprise the group management) may consist of basic salary, variable remuneration and pension.

Basic salary

The basic salary should be determined on the basis that it should be competitive. The absolute level should depend on the specific position and the individual's performance.

Variable remuneration

Variable remuneration (bonus) to the President and other senior executives shall be based on the financial goals of the group and shall be calculated as a function of the sales growth and the operating margin for the year in question. The bonus to the President shall be maximized at 240 percent of the annual salary (for 2013) and for the other members of the senior management the highest individual bonus amount shall be a maximum of 80 percent of the annual salary (for 2013).

Pension

The retirement age for the President shall be 65. The pension insurance premium shall amount to 35 percent of the pensionable salary up to a maximum of 28.5 basic amounts. For a salary in excess of 28.5 basic amounts, a premium of 25 percent shall be paid. For other senior executives the ITP agreement is applied. For executives with salary components over the ITP agreement's wage ceiling, a premium of 30 percent is paid. The retirement age for all senior executives is 65.

Termination benefits

In the event of termination of employment, a six-month mutual notice period shall apply for the President. In the event of termination of employment of the President by the Company, termination benefits corresponding to up to twelve cash monthly salaries may be paid after the end of the notice period. In the event of termination by the President, no termination benefits shall be payable. A mutual period of notice of three to six months shall apply between the company and the other senior executives. In the event of termination by the company, termination benefits corresponding to six cash monthly salaries can be paid. In the event of termination by any of the senior executives, no termination benefits shall be payable.

Read more about how sustainability questions are a natural part of Axis' operations

Axis' sustainability report is available on our website under About Axis/Sustainability and on pages 38–39 in the annual report you can read more about how Axis works with these questions;

- > business ethics
- > social responsibility
- > environmental considerations

Other benefits and other remuneration shall be received on the same basis as for other employees. The company does not operate any outstanding share-related or share-price related incentive programs.

Deviations from the principles specified above may be decided by the board of directors, if there are specific reasons in individual cases.

The company's system for variable remuneration to senior executives

The President and CEO and the company management are covered by the same bonus program as other employees. The program is based on financial targets for the group and is based on sales growth and profit margin. For the 2013 fiscal year, the bonus amounts are maximized to 240 percent of an annual salary for the President and CEO and the highest individual amount for the other senior executives is 80 percent of an annual salary.

Resolutions regarding bonus programs are passed by board for one year at a time.

Audit

Axis' auditors are elected by the AGM for a period of four years. The last election took place in 2011. The company's auditors are PricewaterhouseCoopers AB, with Ola Bjärehäll as Chief Auditor. Ola Bjärehäll was born in 1974 and has been an Authorized Public Accountant since 2004. PricewaterhouseCoopers AB have been Axis' auditors since 1996 and Ola Bjärehäll since 2011.

The company's internal control report over the financial reporting 2013

Introduction

The board of directors is responsible for the internal control in Axis AB under the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance. The board's report is drawn up in accordance with section 7.4 of the Swedish Code of Corporate Governance, and has therefore, been limited to only covering the internal control over the financial reporting. The information in this internal control report applies to both the

parent company and the group. The company's processes and systems for ensuring effective internal controls have been designed with the intention of managing and limiting the risks of material errors in the reporting of financial data, and, consequently, ensuring that operational and strategic decisions are based on accurate financial information.

Axis' process for the internal control over the financial reporting is structured in accordance with the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), with the control environment as a base for other components and activities; risk assessment, control activities, information and communication as well as monitoring.

Control environment

The board of directors has overall responsibility for establishing and maintaining an effective system for risk assessment and internal control. The board has adopted a formal work plan for its activities, in which the mutual division of work between the chairman of the board and its members is defined. The day-to-day work of maintaining an effective internal control environment and continuous risk assessment in respect of the financial reporting has been delegated to the President and CEO, who in turn has delegated function-specific responsibility to managers at appropriate levels within the group.

A detailed delegation plan has been drawn up, with well-defined attestation and decision levels. This is applied throughout the Axis Group.

A. Corporate culture

Axis has a strong and firmly-established corporate culture, which fundamentally encourages all employees to think creatively and innovatively, and to show respect for each other's diversity. Everyone is encouraged to question, take the initiative and take responsibility, and to strive at all times towards the common goals, guided by our watchwords – "act as one", "think big" and "always open". The corporate culture is founded on confidence, trust and personal responsibility.

In the recruitment process, great weight is placed on ensuring that the applicants appointed, share the fundamental values on which the corporate culture is built. New recruits in Sweden as well as internationally, complete introductory training at Axis' headquarters in Lund. The training aims to increase the understanding of Axis' operating procedures and corporate values.

B. Guidelines and policies

Responsibility and authority are defined in the delegation plan adopted by the board, attestation instructions, handbooks, other policies and codes. The group's most important guidelines and policies relate to financial control, communications issues, business ethics and environmental matters. The basis for financial control and follow up consists of the group's overall finance and accounting policies. The aim of Axis' communications policy is to ensure that external and internal information disclosure is based on facts, is accurate and uniformly structured. Part of the communications policy deals with Investor Relations, IR, and is intended to ensure compliance with the appropriate laws and stock exchange rules, and to provide a reliable and accurate view of Axis and its operations to players in the financial market. Axis operates a Code of Conduct. The purpose of the Code is to set out the approach, values and guidelines that Axis' employees shall apply in matters of business ethics and also the approach to human freedom and human rights. The objective of

Axis' environmental policy is to ensure that the company supplies products and solutions in an efficient and environmentally low-impact way, and that legal obligations and environmental regulations are complied with.

C. Operational control

Axis' management team (group management) consists, in addition to the President and CEO, of the managers of the various central functions within the group, such as sales, marketing, research and development, operations, human resources, information systems and finance. Within and between the various functions there are a number of control groups, committees and project groups, formed with the aim of creating short decision paths and ensuring that the operations are managed effectively towards the group's defined goals.

Risk assessment

The Board carries out an overall risk inventory on an annual basis. This involves identifying, measuring and recording the sources of risk. The material risks which affect the internal control over the financial reporting are identified at a group and company level, as well as at a regional level. The process of risk assessment also includes risks of impropriety and undue favoritism to another party at the company's expense.

Control activities

The risk assessment results in a number of control activities. There are both general and more detailed control activities, aimed at preventing, discovering and correcting faults and deviations in the financial reporting. The activities include manual controls, controls embedded in IT systems and controls in the underlying IT environment, i.e. general IT controls. Appropriate control activities have also been designed for operations that are conducted by third parties on behalf of the company.

Information and communication

Important guidelines, handbooks and similar information relating to the financial reporting are updated and communicated to the employees concerned on an ongoing basis. There are both formal and informal information channels to the company management and to the board for important information from the employees. The board meets regularly with representatives of the various central functions within the Axis Group when they attend board meetings as well as through individual meetings. The President and CEO and the CFO keep the board continuously informed of the group's financial position, performance and any areas of risk.

There are guidelines for external communication that ensure that the company meets demands for correct information.

Monitoring

Observance of internal policies, guidelines, manuals and codes and of the appropriateness and functionality of the established control activities is continually validated, through documented visits by the controller function as well as through self-assessments. The annual risk assessment provides the basis for planning of follow-up activities. There is a special process for ensuring that reported deficiencies are remedied.

The company's auditors attend at least two board meetings per year, at which the auditors give their assessment and obser-

variations on the business processes, accounts and reporting. The chairman of the board also maintains continuous contact with the auditors.

The control organisation is evaluated on an ongoing basis by the Group Controller and CFO with the aim of ensuring quality and efficiency. The CFO actively participates in the recruitment process of all qualified controllers.

Axis does not have a separate internal audit function. Based on a good control environment and external audits by auditors, the board has decided that there are no special operational circumstances or other factors which would justify setting up such a function.

Financial reporting

The financial reporting and financial control are conducted in accordance with well-defined guidelines and policies. The various processes are thoroughly supported by complex, purpose-designed IT systems. The company's financial performance is monitored continuously by the board through comprehensive monthly report packages, and through reports by the CFO at all board meetings. Compliance with the company's finance policy is followed up monthly in the report package. A high level of transparency in the report material and financial processes enables any deficiencies in internal control to be identified and rectified.

The reporting structure is based on two principal dimensions, geographical and functional, which are followed up by the group finance and controller

functions. A monthly income statement is prepared for each dimension, and these are followed up together with the responsible managers. At present, the geographical dimension consists of three regions. The smallest components of the functional dimension are the cost centers which, in the aggregate, consist of the three categories Marketing and Sales, Research and Development and Administration. The total number of cost centers with individual income statements and separate follow up amounts to 290. The company's geographical spread creates ideal conditions for comparative analyses between the regions. The key ratios for the different regions constitute a part of the monitoring and analysis work performed by the above-mentioned functions.

Another significant company-wide part of the internal control is the rolling forecast process. Monthly sales forecasts are prepared, with a 12-month horizon and at product level, by the managers of the various regions. The sales forecasts are consolidated and validated by the group's finance department in connection with production of detailed forecasts for the operations. Detailed forecasts are produced twice a year; in May and November, and refer to the next twelve-month period. These are built up from each individual cost center in the group's companies, and then combined with the monthly sales forecasts, and are consolidated, analyzed and compiled by the group's finance department. The forecast drawn up in November, which relates to the next calendar year, is ratified by the board meeting in December. In addition to twelve-month forecasts, the group management team works continuously on overall strategic 3–5 year scenarios.

AUDITOR'S STATEMENT REGARDING THE CORPORATE GOVERNANCE REPORT

To the Annual General Meeting of the shareholders of Axis AB (publ), corporate identity number 556241-1065.

The Board of Directors is responsible for the corporate governance report for 2013 on pages 74–80 and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act.

We have read the corporate governance report and based on this reading and on our knowledge of the company and the group, we believe we have a sufficient basis for our opinion. This statutory review has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden.

We consider that a corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated financial statements.

Lund, February 14, 2014
PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized Public Accountant

Board of Directors and Auditors



Roland Vejdemo

Chairman of the Board since 2013

Board member since: 2010

Chairman of: Rebecco Trading

Education: Master of Business Administration, Stockholm University

Work experience: Ericsson Inf. Systems, Nokia Data, TM-Data, Compaq Sverige, Hewlett-Packard Sverige AB

Principal employment: Various directorships

Shares in Axis: 1,000



Martin Gren

Board member since: 1984

Chairman of: Aktiebolag Grenspecialisten

Board member of: Askero Invest AB, Askero Sagoboks Förlag AB, Eikos Aktiebolag, Grenspecialisten Förvaltning AB, Handelsbolaget Dekad, H. Lundén Holding Aktiebolag, Tobii Technology AB

Education: Lund University

Work experience: Founder of Axis

Principal employment: Employed by Axis Communications AB

Shares in Axis: 7,357,471 via Grenspecialisten



Olle Isberg

Board member since: 2006

Chairman of: Anerem Aktiebolag, Awardit AB, Björkliden Fjällby AB, Hotel Kungsträdgården AB, Hotel Stureplan AB, Lapland Resorts AB, Visionalis AB

Board member of: Bricmate AB, LMK Hotels & Real Estate AB, LMK Ventures AB, Progressum i Kiruna AB, Rewardit AB, Spaceport Sweden AB, Tapwell Aktiebolag

Education: Stockholm School of Economics.

Work experience: Öhman Fondkommission, Ratos, H&B Capital

Principal employment: CEO Visionalis AB

Shares in Axis: 0



Göran Jansson

Board member since: 2007

Chairman of: nWise AB

Board member of: AAGOJA AB, GJS Turn-around AB, SPP Liv Fondförsäkring AB (publ)

Education: Master of Business Administration, Stockholm.

Work experience: Industriförvaltnings AB

Kinnevik, Tele2, Assa Abloy AB

Principal employment: Vice CEO and CFO of SAS AB

Shares in Axis: 10,000



Charlotta Falvin

Board member since: 2006

Chairman of: BFT Coffee AB, Ideon AB, MultiQ International AB

Board member of: Doro AB, Fasiro AB

Education: Master of Business Administration, Lund.

Work experience: Lars Weibull AB, Axis Communications AB, Lars Weibull AB, Decuma AB, TAT, Research In Motion Inc

Principal employment: Various directorships.

Shares in Axis: 10,750



Gustaf Brandberg

Board member since: 2013

Chairman of: Citerus AB, Load Impact AB

Board member of: Försäkringsgirot Sverige AB, Isac Brandberg Aktiebolag, with the subsidiary; Inter Indu AB, (owner company of Axis AB)

Education: Master of Science.

Work experience: Citerus AB, Tieto Sweden AB

Principal employment: Various directorships.

Shares in Axis: 0 *

* After the completion of the annual report Gustaf Brandberg has during 2014 become a minority shareholder in Isac Brandberg AB, which owns 51 % stake in Inter Indu AB which in turn owns 10,066,667 shares in Axis AB.

Employee representatives:

Kalle Bergdahl

Board member since: 2013

Employee representative for IF Metall (ordinary)

Shares in Axis: 0

Cristian Ionescu-Idbohm

Board member since: 2013

Employee representative for SACO (ordinary)

Shares in Axis: 0

Petter Östlund

Board member since: 2013

Employee representative for SACO (deputy)

Shares in Axis: 0

Auditors:

PwC. Chief auditor: Ola Bjärehäll, born 1974. Authorized Public Accountant. Assigned to Axis since 2011.

Management team



Ray Mauritsson
President and Chief Executive Officer

Born: 1962
Employed by Axis since: 1995
Education: Master of Science, Engineering physics
Lund University and Executive MBA from the Institute of
Economics, Lund University.
Previous employment: TAC
Directorships: HMS
Shares in Axis: 29,500



Bodil Sonesson Gallon
Vice President, Global Sales

Born: 1968
Employed by Axis since: 1996
Education: Master of Business Administration,
International Finance, Lund University and Konstanz
University, Germany.
Previous employment: Lars Weibull.
Directorships: Swedish Chamber of Commerce, Paris.
Shares in Axis: 2,050



Fredrik Sjöstrand
Vice President, Finance and
Chief Financial Officer

Born: 1969
Employed by Axis since: 1998
Education: Master of Business Administration,
Lund University.
Previous employment: E.ON, PwC.
Shares in Axis: 28,000



Fredrik Nilsson
General Manager, North America

Born: 1967
Employed by Axis since: 1996
Education: Master of Science, Electrical Engineering,
Lund Institute of Technology, Economics studies at
Lund University and the University of Uppsala.
Previous employment: ABB 1991–1996
Directorships: Security Industry Association
Shares in Axis: 23,500



Jonas Hansson
Chief Information Officer

Born: 1967
Employed by Axis since: 1997.
Education: Graduate engineer, Chemical engineering, Lund University and Degree in Journalism, Lund University.
Previous employment: Netch Technologies, Nationalencyklopedin
Shares in Axis: 8,132



Per Ädelroth
Vice President, Operations

Born: 1966
Employed by Axis since: 1994
Education: Master of Science, Industrial Engineering and Management, Chalmers, Gothenburg.
Previous employment: Accenture.
Directorships: Svep Design Center.
Shares in Axis: 23,000



Malin Ruijsenaars
Chief Personnel Officer

Born: 1971
Employed by Axis since: 2004
Education: PA program, Lund University, Master of European Studies Brügge, Belgium, Postgraduate studies UC Berkeley, USA
Previous employment: Mercedes-Benz Customer Assistance Center, DaimlerChrysler Danmark Sverige
Shares in Axis: 1,271



Johan Paulsson
Chief Technology Officer

Born: 1963
Employed by Axis since: 2008
Education: Master of Science, Electrical Engineering, Lund University.
Previous employment: Ericsson, Anoto.
Directorships: poLight
Shares in Axis: 3,050 (of which 1,000 via endowment insurance)



Lars Åberg
Vice President, Marketing

Born: 1966
Employed by Axis since: 2008
Education: Master of Business Administration, Lund University.
IFL Executive General Management Program, Stockholm School of Economics.
Previous employment: Unilever, Ericsson Mobile Communications, Bona Kemi
Shares in Axis: 377

Glossary

ASIC (Application Specific Integrated Circuit)

ASIC is a circuit that is designed for a specific application rather than a circuit for more general functions, such as a microprocessor. The use of ASIC as a component in electronic products can enhance performance, reduce power consumption, improve security and lower the cost.

CCTV (Closed Circuit Television)

CCTV is a private video system within a building or facility which is used to visually supervise a location for security or industrial purposes.

HDTV (High Definition Television)

HDTV offers up to five times higher resolution and double linear resolution compared with traditional, analog TV and is usually transmitted in wide-screen (16:9). HDTV is built on the SMPTE 296 and SMPTE 274M standards which are defined by the Society of Motion Picture and Television Engineers, SMPTE.

Linux

Linux is an open source operating system within the Unix family. Due to its stability and accessibility, Linux has gained popularity both within the open source world and as regards commercial applications.

Network camera

Digital video camera with built-in Ethernet network connection and web server. The digitally compressed video from the camera can be seen immediately from all computers which are connected to a network.

Protocol

A set of formal rules describing how data shall be transmitted over a network. Low-level protocols define electrical and physical standards and high-level protocols are concerned with data formatting. TCP and IP are examples of high-level protocols.

Server

A computer or software application providing services to other computers which are connected to it via a network. The most common example is a file manager which has a local disk and which handles inquiries from clients regarding reading and writing files on the disk.

IP (Internet Protocol)

A communication transport protocol used in order to transmit data via Internet. Also see TCP/IP.

TCP/IP

(Transmission Control Protocol over Internet Protocol)

The TCP/IP protocol defines how data is transmitted securely between networks. TCP/IP is the most widespread communication standard and the basis for how the Internet works.

Video encoder

A video encoder has an in-built network connection and web server, among other things. Its function is to take analog video (PAL/NTSC) from traditional analog cameras, digitalize and compress video and allow the digital video stream to be accessible over a network.



Invitation to the Annual General Meeting

The Annual General Meeting of the company will be held at the Scandic Star Hotel, Glimmervägen 5, Lund, Sweden, on Monday April 28, 2014 at 5.00 p.m. The notification of participation must be received by Axis AB no later than 5.00 p.m. on Tuesday, April 22, 2014. The notification should include the shareholder's name, Swedish civil registration or corporate registration number, address and phone number as well as the number of shares represented.

Shareholders who wish to participate in the annual general meeting must be listed as a shareholder in the print-out of the share register produced by Euroclear Sweden AB on Tuesday, April 22, 2014. Shareholders whose shares are held through nominees, must get the nominee to register the shares in their own name, so that the shareholder concerned is registered in the share register on April 22, 2014. Such registration may be temporary.

The notification can be made

- > in writing to Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, Sweden
- > by phone on +46 46 272 18 00 to Axis AB's headquarters, or
- > via the company's website, www.axis.com

The notification must also state the number of assistants (however, not more than two) the shareholder wishes to bring to the annual general meeting. If participation is through power of attorney, including – in the case that the grantor of a power of attorney is a legal entity – a certified certificate of incorporation or other document showing the competency of the authorised signatory, shall be submitted in good time prior to the annual general meeting. The original power of attorney must be presented. The power of attorney form is available from the company and on the company's website www.axis.com.

The final day for trading in the company's shares including right to dividend is April 28, 2014.

Financial information 2014

Interim report, January–March: Thursday, April 24
Annual General Meeting: Monday, April 28
Interim report, January–June: Wednesday, July 9
Interim report, January–September: Thursday, October 16
Annual report 2014 will be published in March 2015

Reports may also be ordered from:

Axis AB
Emdalavägen 14
SE-223 69 Lund, Sweden
Phone: +46 46 272 18 00
Fax: +46 46 272 61 30
E-mail: ir@axis.com

Financial information is available in Swedish and English on Axis' website: www.axis.com

About Axis Communications

Axis offers intelligent security solutions that enable a smarter, safer world. As the global market leader in network video, Axis is driving the industry by continually launching innovative network products based on an open platform – delivering high value to customers through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and ground-breaking network products in existing and new markets.

Axis has more than 1,600 dedicated employees in more than 40 countries around the world, supported by a network of over 60,000 partners across 179 countries. Founded in 1984, Axis is a Sweden-based company listed on NASDAQ OMX Stockholm under the ticker AXIS.

For more information about Axis, please visit our website www.axis.com.



Corporate identity number 556241-1065

Axis AB

Emdalavägen 14

SE-223 69 Lund

www.axis.com