



Annual report

2014

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The year in brief

- > Sales totaled SEK 5,450 M (4,717), corresponding to growth of 16 percent
- > Operating profit amounted to SEK 715 M (640)
- > Profit after tax totaled SEK 539 M (479)

Q1 Began in line with underlying demand

- > Sales amounted to SEK 1,129 M, corresponding to growth of 15 percent
- > Operating profit totaled SEK 72 M, corresponding to an operating margin of 6.4 percent
- > Profit after tax amounted to SEK 52 M
- > Reorganization of the American organization with the aim of boosting local presence and strengthening the company's position
- > Release of AXIS Camera Station 4.0
- > Axis' important P series was updated with a number of new network cameras featuring improved functionality

Q2 Strong sales

- > Sales amounted to SEK 1,355 M, corresponding to growth of 22 percent
- > Operating profit totaled SEK 188 M, corresponding to an operating margin of 13.8 percent
- > Profit after tax totaled SEK 139 M
- > Axis was ranked global market leader in the yearly report of the research & analysis company IHS in the "Network Cameras" and "Video Encoders" categories
- > Axis' first network camera featuring 4K resolution was introduced
- > A new camera series, the AXIS F series, was released for discreet and flexible installation in small areas

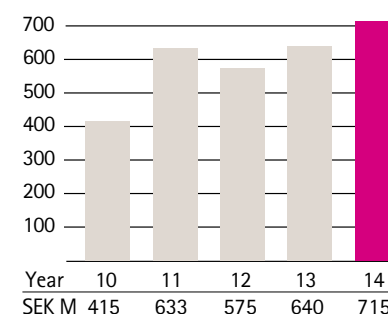
Q3 Cautious third quarter

- > Sales amounted to SEK 1,462 M, corresponding to growth of 11 percent
- > Operating profit totaled SEK 257 M, corresponding to an operating margin of 17.5 percent
- > Profit after tax amounted to SEK 193 M
- > Release of AXIS Camera Station S10 Recorder, an overall solution for medium-sized installations
- > Axis' offering for access control, AXIS A1001 Network Door Controller, was introduced in Europe
- > Axis launched proprietary mobile apps for solutions aimed at small installations

Q4 Sales in line with expectations

- > Sales amounted to SEK 1,504 M, corresponding to growth of 16 percent
- > Operating profit totaled SEK 187 M, corresponding to an operating margin of 12 percent
- > Profit after tax amounted to SEK 146 M
- > Fire at contract manufacturer in Thailand. Swift measures helped ensure that the incident only had a marginal impact on sales.
- > The AXIS Q1635 with large sensors was released and is primarily targeted towards surveillance solutions intended for city surveillance
- > The AXIS Q8414-LVS was introduced. The camera has a unique anti-grip design and is suited to installations in correctional facilities, elevators and hospitals

Operating profit/EBIT



Key ratios

Group, SEK M (unless otherwise stated)	2014	2013
Net sales	5,450	4,717
Operating profit	715	640
Profit before tax	714	637
Profit after tax	539	479
Earnings per share, SEK	7.76	6.89
Cash and cash equivalents at the end of the period	415	338
Dividend paid, SEK	5.50	5.00

Sales per region, SEK M

Region	2014	2013
Americas	2,743	2,364
EMEA	1,999	1,764
Asia	708	589

314
new employees

A map of East and Southeast Asia is shown in the background. The map includes countries like China, Mongolia, Korea, Japan, Taiwan, Nepal, Bhutan, Bangladesh, Myanmar, Laos, Thailand, Vietnam, Cambodia, Malaysia, Singapore, Brunei, and the Philippines. Major cities such as Beijing, Shanghai, Hong Kong, Taipei, Kathmandu, Dhaka, Yangon, Bangkok, Phnom Penh, and Kuala Lumpur are labeled. A diagonal yellow and grey overlay runs from the top left to the bottom right, partially covering the map.

Axis in 1 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 network video and video encoders

49 countries with Axis employees

179 countries with partners

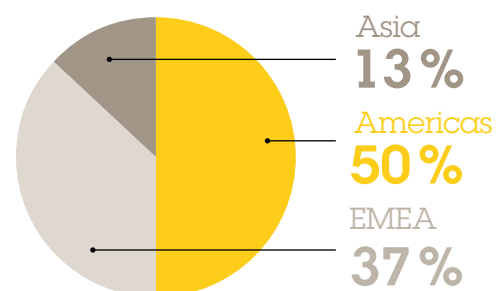
1,941 employees
in the Axis group

75,000 partners

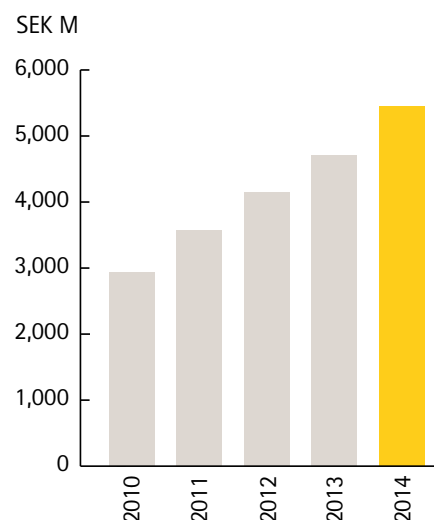
Sales growth 2014

+16 %

Invoiced sales per region 2014



Sales 2014



5,450
SEK million

Follow Axis on:

www.axis.com



Still great oppor

The fantastic growth in network video solutions during the past ten years is gradually entering a new phase. As parts of the market mature, innovations and solutions are required that address new market segments. During the year, we saw a good performance in our offerings aimed at smaller installations and we released a new concept for medium-sized systems. The market is still undergoing many exciting changes and there are great opportunities due to new use of network video, new customer segments and rapid technological developments. Based on our organic growth model, we will continue on the path to be a leading global player in network video.

Investments for today and for the future

In 2014, we carried out many strategic investments and releases aimed at continuing to drive the technology shift to network video in those remaining areas of the market with great potential. Meanwhile, we made investments to broaden our offering with solutions that make us even more relevant to our strong partner network.

We are continuing to maintain a high release rate of new innovative network cameras for all market segments. Our product portfolio has been strengthened with network cameras of exceptional leading edge technology as well as cost-efficient products for customers, with simplicity and user-friendliness in focus. At the same time, we are continuing to broaden our offering and take a greater responsibility for the overall security solution. During the year, we released a new version of our AXIS Camera Station software and updated versions of the software for AXIS Camera Companion and AXIS Video Hosting Solution. In medium-sized systems, we released the AXIS S10 series during the fall, consisting of an overall solution featuring cameras, software and a storage unit. Our access control offering was well received in the US market and was introduced in Europe during September when it was also supplemented with a card reader. Taken together, the continued innovation rate demonstrates the strength of our ambition to be a leading supplier of network video surveillance solutions. We continue to be driven by a desire to create new opportunities in the market and to strive for a smarter and safer world.

Continued investments in small and medium-sized installations

The network video market has been characterized by a strong growth rate for many years. A large part of this growth has come from the technology shift in large surveillance installations where the advantages of digital video surveillance have been obvious from a cost and user perspective. Network video is today the natural choice in this market segment. To continue to drive growth through the technology shift, it is important to complement our offering with simple, user-friendly and cost-efficient solutions for small and medium-sized installations. This part of the video surveillance market still has great growth potential for network video. Axis' goal is to have an annual growth rate of 20 percent and an operating margin of more than 10 percent. This means that we must continue to invest in order to retain our leading position in network video, but we must also dare to invest in new innovations that support our core business and diversify our offering towards partners and end users.

Geographical differences

We still have a very strong position in the US market and the performance in the Americas region has been stable. During the year, we divided the US market into six sales regions with the aim of strengthening our local presence with resources for sales, support and training. In Asia, efforts are ongoing to further establish our partner network and create opportunities for continued strong growth. We are maintaining a high rate of recruitment and are performing strongly in several of the region's key emerging markets. Axis' operations in Europe have been impacted by weak demand in many parts of the continent. The countries in Southern Europe

tunities

are still being affected by the economic turbulence in the region. In Eastern Europe, the political situation in Russia and Ukraine has had a strongly negative impact on sales. Most of Axis' sales in this region are generated in large projects, which are affected by this type of turbulence. Meanwhile, a number of countries in the Middle East are showing a very positive sales trend and the importance of this region is increasing.

Continued expansion

In 2014, the number of employees increased by 314 people. We are continuing to invest in R&D and the sales organization in order to drive product development and to boost our presence in new and existing markets. During the year, the number of countries with local Axis employees increased to 49. A high recruitment rate imposes great demands on the organization to ensure that competencies are safeguarded and that the strong corporate culture is maintained. There were more introductory programs than ever before and we are continuing the ongoing work related to cultural activities and evaluating Axis as a workplace in order to attract and retain the best employees in the industry.

Sustainability

Today, sustainability is a natural part of everything we do and we have a policy with a declared ambition to be an industry-leader in sustainability issues. During the year, we continued to work on reducing energy consumption in our products and on phasing out hazardous materials even before they are classed as harmful to the environment. In spring, we released two cameras that are manufactured exclusively using recycled material. We are also working to shift to environmentally-friendly



forms of transport as far as possible and to establish regional supply chains. We have also intensified the number of training programs and checks of suppliers and contract manufacturers in order to ensure that they meet Axis' strict requirements relating to the environment and working conditions.

Well-prepared for the future

Axis is well-prepared to continue to drive the trend in network video. We have a clear ambition to continue generating profitable growth and to be a company that is based on a willingness to continually advance our offerings and seek new complementary solutions. To succeed with this, we will continue to invest in innovation and dedicated employees, boost our presence in emerging markets and also work to improve organizational efficiency in line with our expansion. I would like to take this opportunity to thank Axis' customers, employees and shareholders for your continued support, commitment and confidence during the past year.

Axis' operations and financial goals

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' 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 network-based security solutions and Axis is driving the shift from analog to digital video surveillance. Growth was 16 percent in 2014.

**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 13 percent in 2014.

Clear strategy

Axis drives the development of network security solutions. Axis' offering is based on a global reach, long-term collaboration as well as innovative products and solutions. Together with a broad network of partners, leading products are combined with in-depth market knowledge. This makes it possible for the end user to take more well-informed decisions and create the most effective solution.

1

Global market leadership

10,000

new partners all over the world

33

new products were
released in the market

3,800

new Axis Certified
Professionals



Axis has its own offices in 49 countries and is continuing to expand on both a global and local level. The objective is to be the global market leader and have a strong position in all markets where the company operates. Meanwhile, there is a strong focus on strengthening the company's presence in emerging markets and continued investments are made in order to get closer to the end customer and to introduce new product concepts in more mature markets.



Achieved in 2014:

- > Establishment in 5 new countries
- > 9 new offices
- > The sales force increased by 74 people
- > Still global number 1 in network video

for growth and expansion

2

Strong partner network



Long-term and loyal partnerships enable mutual exchange of competencies, a strong market presence and common development of the market. As Axis' offering improves, collaboration is strengthened with existing players while new strategic partners are added. Through close dialogue, new customer segments are identified rapidly as well as new trends and business opportunities.

Achieved in 2014:

- > 10,000 new partners
- > 11,000 partners in training programs
- > Improved overall offering

3

Smart, innovative products and solutions



Axis' ambition is to drive the rapid development of network security solutions. The offering is continually broadened with new products and accessories. As the market grows and matures, investments continue to be made in order to strengthen the overall offering and increase responsibility in installations.

Achieved in 2014:

- > 35 new products
- > Continued strong investments in development of network cameras
- > Release of overall solution for medium-sized installations
- > Release of access control solution in Europe

A rapidly growing

Axis is today the global market leader in network video. The strong position is the result of successful organic growth while retaining strategic focus on both innovative solutions and long-term partnerships. The market for network security solutions is continuing to grow in all parts of the world. Strong drivers of growth include urbanization, rapid technological development and new use of network video.

The ambition to create a safe and secure society is still the fundamental driver of the strong growth rate in video surveillance. With good insights into market trends and the aim to create the maximum customer benefit possible, Axis develops offerings that suit individual customer needs and delivers the most effective surveillance solutions. With the core business as a starting point, the offering is advanced in collaboration with partners, while new profitable markets and segments are identified.

A growing market

The market for video surveillance is expected to grow by about 12 percent annually over the next five years.* Meanwhile, the independent market research institutes TSR and IHS estimate the annual growth rate for network video to be 16 and 22 percent, respectively. A large

part of this growth is expected to come from emerging markets in Asia and South America as well as from the technology shift in small installations. Digital surveillance systems are today estimated to account for approximately 50 percent of total new sales.

The global market for video surveillance was estimated to be worth USD 13.5 billion in 2013. By

2018, the market is expected to have grown to USD 24 billion.* As the market grows and matures, new demands are also made of Axis to offer optimized solutions for individual market segments. For the largest and most complex surveillance installations, scalability, camera capacity and easy integration with other network

solutions are still critical aspects. Meanwhile, demand is growing rapidly for surveillance solutions targeted towards really small installations. Instead, these customers focus on cost efficiency, user friendliness and easy installation. In the coming years, the market for small installations is expected to grow rapidly and today it is a prioritized market segment for Axis.

Strong drivers

The growth is driven by macroeconomic factors, which are closely connected to social and economic development. The most important external factors driving demand include:

- > Increased security needs: Video surveillance is becoming increasingly accepted in public as well as private environments. Turbulence around the world and the cameras' ability to help solve and prevent crime, means that more and more players are opting to use camera surveillance to ensure the security of citizens, employees and customers.
- > Urbanization: Higher population density is driving demand for security solutions and is imposing demands on society in the form of transport systems, safety in public places, new construction and renovations.
- > Infrastructural investments: Development of public transport systems, new properties and investments in the energy and industrial sectors are imposing demands for smart and effective security solutions.
- > Technology shift: The shift from analog to digital video surveillance has been a strong driver in large installations for a long time. This shift is expected to be an important factor for increased demand in small and medium-sized installations in the next few years.

Emerging markets accounted for

28 %

of sales in 2014

* IHS: The World Market for CCTV and Video Surveillance Equipment – 2014 Edition.

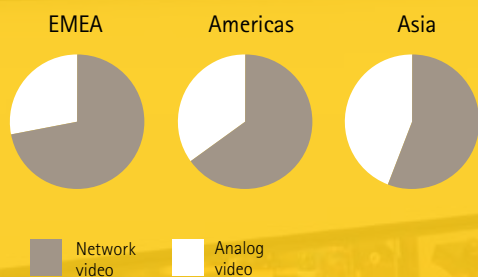
market ...



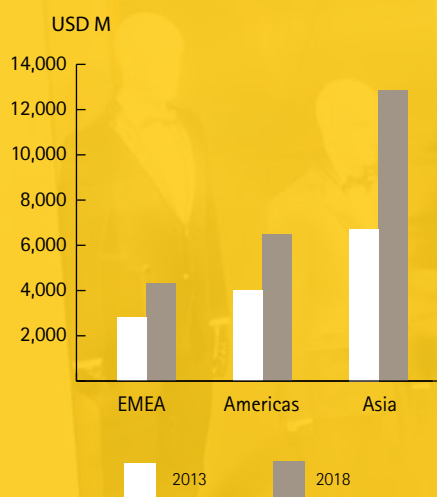
#1

in the network
video market

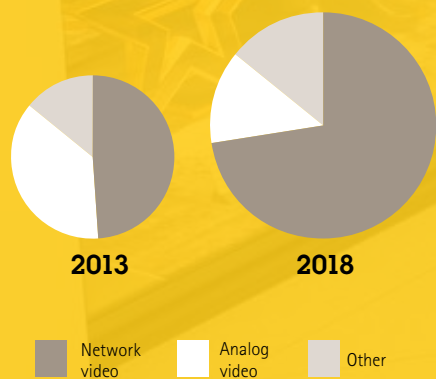
Network camera penetration*



Sales per region*



The video surveillance market*



* IHS: The World Market for CCTV and Video Surveillance Equipment – 2014 Edition.

... still with great opportunities

Demand is also driven by changes and trends in specific customer segments and an ambition to boost efficiency:

- > More efficient solutions: As network cameras become smarter and smarter, end users want to optimize their surveillance solution. This is driving demand for entirely new innovative concepts and solutions with regard to cost as well as functionality.
- > Customer-specific solutions: More and more of Axis' customer segments are demanding solutions that precisely meet their needs. This implies the possibility of developing solutions that deliver greater value to the end user and of identifying new business opportunities.

Competitors

Axis' competitors include large international groups as well as smaller niche companies. Historically, the market has been very fragmented and today Axis has more than 400 competitors. In more mature markets, the competitive situation continues to be characterized by a focus on quality and high-tech content while in growth regions,

part of the market is subject to high price pressure. The competitive situation is intense, particularly in a number of fast-growing Asian countries where several local players are aggressive in their home markets.

Innovation and expansion

Customers and partners are demanding new functionality and by driving rapid technological development and taking overall responsibility, Axis is successfully creating value that the market appreciates. This global market leadership provides Axis with the opportunity to drive technological development and contribute to industry standards and standardization. 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, a world-wide market presence and efficient production and distribution chains, Axis is well-positioned to strengthen its position as a market leader.

Market shares for surveillance cameras (analog & network cameras), 2013*

Place	Supplier
1	Hikvision
2	Axis Communications
3	Panasonic System Communications
4	Samsung Techwin
5	Dahua

Market shares for network cameras, 2013*

Place	Supplier
1	Axis Communications
2	Hikvision
3	Panasonic System Communications
4	Dahua
5	Sony Electronics

Market shares for video encoders, 2013*

Place	Supplier
1	Axis Communications
2	Hikvision
3	NICE Systems
4	Bosch Security Systems
5	Uniview

* IHS: The World Market for CCTV and Video Surveillance Equipment – 2014 Edition.



Local presence
in 10 countries

Americas

Customer segments in focus



Transportation



Retail



City surveillance



Education

The Americas region accounts for approximately 50 percent of Axis' sales. Axis is leading in the North American market and strengthened its position during the year. The emerging markets in South America have a relatively low penetration rate in terms of network video. Axis is continuing to build up its organization and is investing for future growth. The Americas region is expected to grow in line with the global market as a whole.

North and Central America

Axis' North American market includes Canada, USA, Mexico and several islands in the West Indies. Together these countries represent the company's largest market for network security solutions and Axis has large market shares in the region. USA and Canada are characterized by a high penetration rate in large installations while interest in network video is increasing rapidly in small systems. The region is defined as a mature market with trained partners and end users and a well-developed network infrastructure. Axis estimates that the growth rate in the region is in line with the global market as a whole. Meanwhile, new use of network video, improved overall offerings and added value services are creating continued opportunities. Long-term business development and broadened offerings with a greater focus on overall responsibility and cost efficiency have increased demand in the retail, education and critical infrastructure segments. North America is the market where the investments in overall solutions have progressed furthest. Axis Video Hosting Solutions and the offering for medium-sized installations have been performing particularly well. Axis' access control solution was released in the USA at the end of 2013 and has been well received in the market during 2014. In Mexico, network video usage is continuing to rise and Axis grew by about 30 percent during the year. The good growth is the result of focused work on building up the local organization and investments in an expansive market.

During the year, a reorganization of the American operations began with the aim of getting closer to the local market. By establishing six sales regions with local offices, proximity is being strengthened to distributors, partners and end users. Each region has its own resources for sales, marketing, support and training. Apart from the earlier office outside Boston, Axis now has offices in Chicago and Los Angeles. Establishment of the other local offices will continue during 2015. The total number of employees in The North American organization was 252 at the end of 2014.

South America

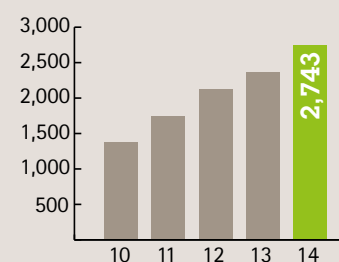
Brazil is Axis' largest individual market in the region and the majority of the local employees work at the office in São Paulo. A total of 49 persons work in the region. The importance of the other Latin American countries is increasing in line with growing interest in and acceptance of network video. Axis' focused work on building up a strong network of distributors and partners and training of market players provides a good basis for profitable growth in the region. The majority of Axis' sales in the region are larger project-based systems, which are more subject to macroeconomic and political impact. Sales to the public sector were impacted by the presidential election in Brazil and by financial turbulence in Argentina. The private sector was also impacted somewhat by a weakened currency. In the longer term, however, the underlying growth is expected to be positive. The primary drivers are still economic development, urbanization and development of network infrastructure.

Market shares for network cameras, 2013*

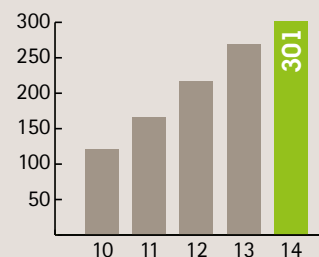
Place	Supplier
1	Axis Communications
2	Panasonic System Communications
3	Sony Electronics
4	Pelco (by Schneider Electric)
5	Bosch Security Systems

*IHS CCTV and Video Surveillance Equipment, 2014

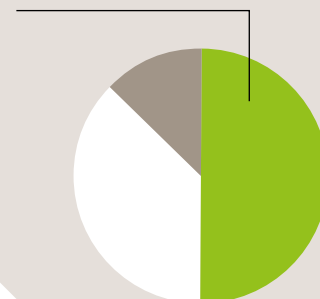
Sales in SEK M



Number of employees



50 percent of sales





Local presence
in **24** countries



EMEA

Customer segments in focus



Transportation



City surveillance



Banking and
finance



Critical infrastructure

Axis has a strong position in network video in Europe, the Middle East and Africa. In total, the region accounted for 37 percent of sales. Growth in digital security solutions differs in the various markets of the region. In large parts of Europe, development is still somewhat hampered by the weak market climate and ongoing turbulence in areas of Eastern Europe. The Middle East and Africa are displaying strong growth and demand is expected to grow in line with continued investments and increased affluence. The region as a whole is expected to grow slightly less than the overall global market.

Market development

Growth and demand varied among the region's different markets. In the more mature markets of Western Europe, the performance was good in Scandinavia, the UK and in parts of Central Europe. In Southern Europe, there is still some uncertainty due to the turbulent market situation. Historically, growth in network video has been driven by investments in new construction and infrastructure. The economic turbulence in the region continues to hamper larger investments in these areas. Meanwhile, sales have stabilized somewhat and the trend is positive in small systems. The political turbulence in Russia and Ukraine had a negative impact on demand during the year in parts of Eastern Europe. The underlying demand and interest in network video is continuing to grow but the growth rate is restrained by caution and project delays due to the instability in the region. During the year, Axis strengthened its market position in emerging markets in the Middle East and Africa. Strong economic development in combination with Axis' ambition to continue investing in emerging markets has contributed to a good sales trend and increased market shares.

Europe

In Europe, Axis is continuing to strengthen its already well-established network of partners. A large number of activities have taken place with larger established partners and end customers, but also involving players that are more focused on the small and medium-sized market segments. During the year, the European organization allocated specific organizational resources to strengthen the offering and position in all three market segments. The European market has a high penetration of network video and as the knowledge of market players increases, more and more targeted market activities are being arranged in order to drive growth and reach market segments that have not previously used digital video surveillance. During the year, the Axis Certification Program was also released in Central Europe and about 200 persons participated in the training.

The Middle East and Africa

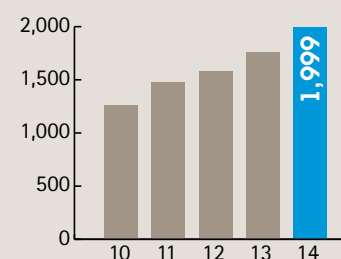
The emerging markets in the Middle East and Africa are displaying strong demand. Continued large investments and a high level of IT maturity, particularly in Saudi Arabia and the United Arab Emirates are contributing to a strong sales trend in the region. Axis is also continuing to strengthen its local presence with personnel as well as more partners and market activities. The countries in Africa currently have a low penetration of network security solutions. In line with increased affluence, urbanization and investments in infrastructure and IT systems, the African continent is expected to display strong growth potential for network video in the coming years. Axis continually evaluates opportunities for expansion and establishment in new markets in the region and works to increase knowledge about digital video surveillance.

Market shares for network cameras, 2013*

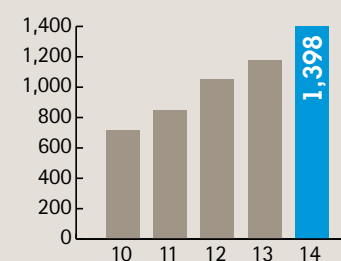
Place	Supplier
1	Axis Communications
2	Mobotix
3	Hikvision
4	Sony Electronics
5	Panasonic System Communications

*IHS CCTV and Video Surveillance Equipment, 2014

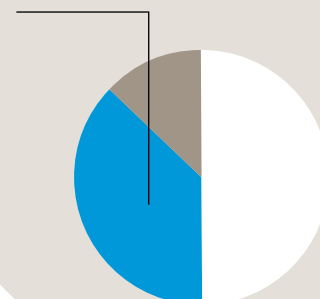
Sales in SEK M



Number of employees



37 percent of sales





Local presence
in **15** countries



Asia

Customer segments in focus



Transportation



City surveillance



Education



Industrial

The market for network security solutions is growing rapidly in large parts of Asia and the growth rate in the region is rising faster than the global market as a whole. During 2014, sales increased by 20 percent. The performance was particularly strong in Northern Asia and the Chinese market is continuing to grow in importance. Axis still has a leading position in the more mature markets of Southern Asia.

Axis operates in all large Asian markets and is continuing to build up a network of distributors and partners that cover the whole region. Asia is characterized by large differences in terms of penetration and development of network video. In several of the more mature markets such as Australia, New Zealand, South Korea and Japan, there is considerable knowledge about digital video surveillance and Axis has established a strong position in these countries. Meanwhile, demand is continuing to grow in the region's markets of the future and the need is driven by investments in infrastructure and new construction.

North Asia

A number of markets in the northern part of the region showed a good performance during the year with a growth rate of about 30 percent. China is today estimated to be the world's largest market for video surveillance and demand is growing at a rapid rate. Axis is continuing to expand in the country and the local research and development office in Shanghai was further strengthened during the year in order to meet local product requirements and standards. While Axis has a relatively low market share in China compared to other markets, the sales trend is strong and there is good potential for continued growth and expansion. There is also a clear ambition to increase the company's presence in other emerging markets in the region. During the year, the local offices were strengthened with internal sales personnel in order to continue establishing long-term market channels and with business developers to strengthen collaboration with application developers. More employees were also recruited in order to increase the number of training programs within the framework of Axis Academy.

South Asia

In southern areas of the region, demand was slightly weaker in 2014 compared to the previous year. Some slowdown was seen in Australia and Singapore in particular. However, Axis estimates that there is still substantial interest in network video and that the slightly weaker demand during the second half of the year is of a temporary character. During the year, a new office was opened in New Zealand. The Indian market is still very attractive and is expected to continue growing rapidly in the coming years. Today the development and use of network security solutions is relatively low. In line with increasing GDP and improving living standards, demand is also expected to grow for digital surveillance. India is a highly prioritized market and Axis has offices in Delhi, Mumbai and Bangalore.

Big opportunities

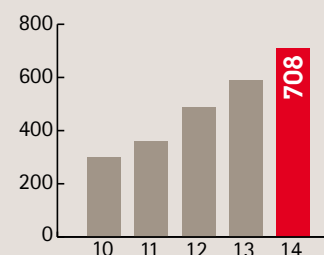
As a region, Asia is continuing to grow in importance. Axis is working on building up a loyal partner network in order to achieve scalability and develop effective channels to the millions of end users who are increasingly aware of the benefits of network video. There are still significant opportunities in the more traditional fields of application such as transportation and city surveillance while growth is increasing in new fields of application and customer segments. Axis has ambitious internal targets concerning expansion and the growth rate in the region and the company aims to increase the region's share of total sales. With an established market position, clear growth ambitions and customer-oriented solutions, there is a good basis to capitalize on future growth.

Market shares for network cameras, 2013*

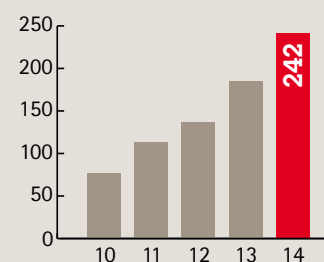
Place	Supplier
1	Hikvision
2	Dahua
3	Panasonic Systems Communications
4	Axis Communications
5	Uniview

*IHS CCTV and Video Surveillance Equipment, 2014

Sales in SEK M



Number of employees



13 percent of sales



Business model

for scalability and

Since its foundation, Axis has had a clear business model which is based on products and solutions that reach the global market via a scalable two-tier sales model. A strong network of distributors and partners creates an efficient supply chain, broad market presence and knowledge about trends and needs in different customer and market segments. Axis' products are available today in 179 countries.

Axis' position in the global sales chain is one of the company's strongest competitive advantages and the indirect sales model has been a central part of the strategy since the start. Through a comprehensive partner network, specialist competencies are developed at each stage, from distribution to integration and installation. Sales of Axis' products take place via distributors that sell on to system integrators and resellers that in turn meet the end users. Through long-term collaboration, continual training and comprehensive supplier responsibility, exchange of knowledge and confidence are created. Today about half of sales are made directly via distributors and partner companies, without the involvement of Axis' own personnel. This is a clear demonstration of the in-built strength and scalability of the business model.

Efficient distribution

Distributors represent the first stage in the business model. Today Axis has a handful of distributors in each country. By working with strong global and specialized local players, comprehensive distribution channels are ensured and a limited dependence on individual players. The primary purpose of Axis' distributors is to stock products, ensure efficient logistics chains as well as 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. In line with a broader base of new resellers and improved product offerings, the need is

also increasing for distributors that can offer support and advice in the contact with partners. Continual dialogue provides Axis with a good understanding of the distributors' view of the market trend, forecast inventory levels and of what channels need to be strengthened or developed as new end customer segments are added.

A growing partner network

The second stage in the business model consists of system integrators and resellers of Axis products. These partners meet the end customers and are responsible for installation, integration and servicing of Axis' security solutions. Axis' own sales organization works closely with partner companies and provides continual support, skills transfer as well as specialist knowledge and advice, particularly in connection with larger and complex projects. Our global presence is improved by advancing existing collaboration with partners and supplementing the network with specialized players that are focused on specific customer and market segments. Today, Axis has

dedicated sales resources with specialist skills in prioritized end customer segments in order to continue to be the most relevant supplier of network video. The global network currently consists of more than 75,000 partners, ranging from international groups to smaller installation engineer firms

with local knowledge. Through loyalty programs based on standard of attainment, commitment and sales, a mutual ambition is created to strengthen collaboration and to understand customer needs and trends in order to offer market-leading solutions.



loyalty

Development 2014

6,556 new partners in emerging markets

2,575 new partners in Northern Asia

More than **1,000** new certified integrators in North America

No partners have exclusive agreements with Axis. This ensures that end customers can feel secure in a workable competition and that Axis' solutions and products maintain the highest quality and meet the demands imposed regardless of market.

Axis trains the market

In line with broader use of network solutions, establishment in new markets and release of solutions for new end customer segments, efforts to train partners around the world are continuing. Axis' global training and certification programs continue to be successfully introduced in order to strengthen the company's position in the channel and increase knowledge about network security solutions. Today, Axis runs four training programs directed towards different players in the market:

- > Architecture & Engineering Program: Directed towards consultants, architects and engineers who work with design and specification of security systems.
- > Application Development Partner Program: Directed towards third party developers of software and

applications that are integrated in Axis' surveillance solutions.

- > Channel Partner Program: This program is targeted towards system integrators and installation engineers. Through training and web-based instruction, both existing and new partners are trained in network video and Axis' solutions.
- > Technology Partner Program: Directed towards technology partners that along with Axis offer complete surveillance solutions. Optimized and integrated systems for end users are created through close collaboration with and training of suppliers of hardware and other critical components.

Business model for continued growth

A well-developed network of distributors and partners with a strong presence in regional markets and good knowledge about local trends, means that Axis is well-positioned to take advantage of the market's future 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 has been a strong contributory force in the shift from analog to network video surveillance in large installations. The process of driving the technology shift in small and medium-sized surveillance systems has now also begun with full force. Continued efforts are being made 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 the development, create new needs and produce the solutions of tomorrow.

A structured development

Axis' research and development work is based on the ambition to release market-leading products and solutions that make a difference to all stakeholders in the value chain. In a market that is defined by rapid technological change, great opportunities are created to drive the development of both hardware and software by releasing unique individual products and innovative overall solutions. The collective R&D resources at the headquarters in Lund are dedicated to meeting prevailing market trends and driving long-term strategic investments.

1

Technology



In Technology, the technological features are developed, which for instance enable better image quality, smart handling and analysis of recorded material as well as technology for reduced energy consumption and compatibility between cameras and other network systems.

- > Continual improvement in image quality.
- > Increased image use through technologies for situations that are characterized by poor light conditions or other external impacts.
- > Technologies that can handle and use large quantities of recorded data.
- > Platforms for proprietary as well as third party applications.
- > Enable and simplify integration in large and complex camera installations.
- > Optimized network usage.
- > Technology platform for third party applications.
- > Axis' ARTPEC chip.

2

Network cameras and Encoders



Network cameras and Encoders works to improve already successful products with new technology and to develop entirely new product concepts. The department works closely with large parts of Axis' global organization in order to identify market trends.

- > Continual development of existing products.
- > Creation of new product concepts.
- > Create understanding for needs in specific customer segments.
- > Design and requirements, for example relating to weather conditions, fire and vandal-proofing.

process

Axis' successful research and development efforts are based on a good understanding of market needs, high-tech knowledge and clear structures that provide the scope for necessary development of existing products as well as innovative ideas. About 700 engineers currently work in four areas in order to ensure continued product leadership. The development work ranges from ensuring that products can cope with external stresses and meet customer-specific design requirements to optimizing optical capacity, improving storage possibilities and proprietary chip development.

The increasing access to advanced technology such as image sensors, memory cards and processors is a key

factor for continued rapid innovation and enables Axis to drive the development at a rapid rate. Close collaboration with technology partners enables a good understanding of new technologies. It also provides an opportunity to be involved in and to influence technological developments and to lead efforts to establish industry standards. The aim of continuing to improve the internal understanding of market needs, creating leading products and ensuring competencies in existing and new development areas, creates a good basis for remaining a leading player in technology and product development.

730

**employees work
in research and
development**

3

Software and solutions



In line with increased demand in parts of the market for overall solutions, an increasingly large group at Axis works on developing software solutions, Video Management Software, specially directed towards different market segments. Meanwhile, it is of the utmost importance to ensure that Axis' products can continue to be integrated in the best way and function in larger installations with third party software.

- > Ensure continued easy integration in larger and more complex installations.
- > AXIS Camera Companion for smaller installations.
- > AXIS Camera Station for medium-sized installations.
- > AXIS Video Hosting Solution.

4

New Business



Axis now has a growing group that works on developing the innovations of tomorrow and completely new product concepts. The solutions do not necessarily need to lie within Axis' current area of focus in the video surveillance market. The group works according to two criteria:

- > New products based on network technology.
- > Solutions that can reach end users through the global network of distributors and system integrators.

Products that make

Axis offers complete solutions as well as individual products and accessories for professional users. During the year, the development rate continued to be high with a rapid release of smart, innovative products that offer new possibilities for players in the value chain. An important factor in the development work is the close collaboration between R&D, partners and the sales organization, which ensures that the right products reach the right customer segment at the right time.

Knowledge about network video is continuing to improve in existing customer segments, which require enhanced functionality and adapted solutions. Meanwhile, the market is becoming more diversified as new customer segments demand network surveillance solutions for new fields of application. This continually imposes new requirements in terms of products and solutions that meet unique needs. The various market segments are imposing ever stricter requirements in relation to factors such as design, functionality, capacity, integration and installation. Today, Axis has the market's broadest product portfolio, which is directed towards really small installations with a few cameras as well as mid-sized solutions and large advanced security systems. The release rate continued to be high during 2014 and about 30 entirely new products and solutions reached the market during the year. Meanwhile, continual refinement of existing products is ongoing.

1 Network cameras, video encoders and accessories

Axis' core business is network cameras. There is a strong focus on continually ensuring a market-leading offering through new high-tech innovations and cost-efficient products.

- > Pan-tilt-zoom cameras
- > Fixed dome cameras
- > Fixed network cameras
- > Thermal cameras
- > Encoders
- > Accessories

Important releases during 2014:

- > **AXIS P14:** Bullet-style cameras with capacity for 4K resolution and IR functionality. Well suited for outdoor installations such as parking lots, shopping malls and city surveillance.
- > **AXIS Q6000-E:** Unique camera solution specially developed for easy integration with installed products as well as new installations of the Axis Q60-series. The solution consists of a circular module featuring four camera heads that are mounted on top of a pan-tilt-zoom camera. Together, the combined camera solution allows 360° monitoring of large areas with the possibility of zooming in on specific incidents with great precision.
- > **AXIS P32:** Released during the year and represents an advancement of one of Axis' most successful product series in recent times – the AXIS P33. The focus has been on developing a cost-efficient and user friendly network camera that meets demands and needs in the majority of customer segments.
- > **AXIS Q35:** An advanced network camera that is targeted towards airports, critical infrastructure and other installations where reliability, high image quality and the ability to cope with difficult external circumstances are critical factors.

a difference



2

Software

A central component in the solution is the operator software, which can either be run on a server, PC, mobile device or directly in the camera. There is a clear trend that different hardware components are starting to interact further to create scalable and flexible solutions. Some critical functions are also being moved up to cloud-based solutions in order to connect smaller systems to larger ones and to enable centralized management. Axis develops software in all these environments in order to create an effective overall solution and new possibilities for an increasingly knowledgeable and demanding user base.

Axis also opens up the camera as a hardware platform for software partners. With software that supports applications developed by third parties, customers with unique needs are able to download important functions in order to increase the benefit of the network camera. This has created many new possibilities and solutions for our end customers and new business opportunities for our partners.

Important releases during 2014:

- > **AXIS Camera Station 4.0:** This software is targeted towards medium-sized camera installations. It was released during the first quarter and is an advancement of earlier versions providing enhanced functionality, more flexible integration and easier use.
- > **AXIS Camera Companion 2.20:** AXIS Camera Companion is directed towards really small installations and is downloaded directly from Axis. An updated version was released during the second half of 2014 and offers improved remote monitoring possibilities via smartphones and tablets.

3

Axis' total solutions

Axis' ambition is to increasingly offer proprietary overall solutions to small and medium-sized customers. Partners and end users in these customer segments are seeking simple and reliable solutions, which are best created by one supplier that can take responsibility for the overall surveillance solution. Axis also offers overall solutions together with partners where the partner is responsible for the surveillance service and Axis for the integrated package solution.

Important releases during 2014:

- > **AXIS Video Hosting Solution:** Updated version with enhanced support for new proprietary applications via App Store and Google Play, flexible configuration and handling of recorded material.
- > **AXIS Camera Station S10:** Overall solution for medium-sized installations. The Axis Camera Station software comes pre-programmed on a storage server for easy handling and management of the surveillance system.

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 Q6042-S	AXIS P3905-R
AXIS Q6044-S	AXIS P3915-R
AXIS Q6045-S	AXIS P3214-VE
AXIS P1224-E	AXIS P3215-VE
AXIS M1025	AXIS P3365-V
AXIS M3027-PVE	AXIS P3365-VE
AXIS M1145/-L	AXIS Q3505-V/-VE
AXIS Q1615	AXIS P3214-V
AXIS Q1615-E	AXIS P3215-V
AXIS Q1932-E	AXIS P8524
AXIS Q1932-E PT	AXIS P8535
AXIS P3904-R	

Software

AXIS Camera Station 4.0
AXIS Camera Companion 2.20
Mobile viewing app for iOS and Android devices

Accessories

AXIS T98A19-VE Surveillance Cabinet
AXIS T8351 Microphone 3.5 mm
AXIS T91B61/T91B62/T91B63/T91D61 Mounts
AXIS T90B Illuminators
AXIS T93F05 Housing
AXIS T93F20 Housings
AXIS T8414 Power Extension Kit

A smarter and safer world

Axis has operations all over the world and aims to offer smart and attractive security solutions to end users with differing needs. Axis has identified nine end customer segments with unique and different requirements in terms of functionality and system management. These are Transportation, Retail, Banking and finance, City surveillance, Critical infrastructure, Education, Industrial, Healthcare and Government. What these segments have in common is that they seek innovative surveillance systems that enable a safer everyday life and efficient handling of recorded material. Axis has dedicated sales and development teams that focus on the individual customer segments. With advanced knowledge about specific customer segment needs, Axis can offer market-leading security solutions, service and support.

City surveillance

Mobile solution for public safety

North America. The counter-terrorism and special operations bureau of the Los Angeles Police Department (LAPD) required flexible and reliable camera solutions that could be installed rapidly and used in temporary covert operations and special public events. The bureau wanted to give incident commanders real-time situational awareness from a command post, as well as push video out to officers' tablets and smartphones in the field. The department uses Axis' solution to manage the system. The video is also transmitted back to police headquarters for live monitoring. It is sent over a secure wireless mesh network to avoid interruptions from cellular traffic.



Transportation

Efficient transports

Africa. UNRA in Uganda has introduced weighbridge stations along roads where vehicles of more than 3.5 tons must be weighed. This is to minimize wear and tear on the roads, which increases the risk of accidents and requires costly maintenance. Axis cameras are used to monitor vehicles that pass through the weigh station and in the case of an offence or incident the vehicle can be tracked by a system which uses the number plate as a reference.



Retail

Improved security and customer experience

Europe. The global fashion chain Paul Smith has installed Axis cameras in its 45 stores around the world. Together with Axis, the customer designed a surveillance system that covers 100 percent of the retail space in each store where the network cameras are discreetly built-in to the store environment. The security solution was partly installed to boost security for employees and customers, but also to take advantage of the possibility to use smart video analytics. Applications such as people counters, facial detection and dwell-time analysis in order to optimize display of goods and improve the customer experience were important parameters in the choice of supplier.




Banking and finance

Secure banking offices

Eastern Europe. Russian Standard Bank has installed Axis network cameras in order to streamline its work and ensure that the optimal number of employees is in place at different times of the day depending on customer flows. The security system is used to provide personnel with a secure work environment, to discover and investigate unlawful or suspect behavior such as fraud and to use material in the event of complaints. In addition to increasing security, the system is also used to count customers and to evaluate displays and cash desk positioning in the local branches.

Small



” We have to train the market and offer something that is better and more cost effective than the analog technology.

installations

About one third of the video surveillance market consists of smaller systems with less than 16 cameras. Typical end users, for example, are stores, smaller offices and hotels with less than ten cameras. The market segment is still dominated by analog technology but the penetration of network solutions is increasing. In line with Axis releasing cost efficient solutions adapted for small installations and as customers perceive the advantages of network video, the growth potential in this part of the market is expected to be considerable in the coming years.

Axis and other network video suppliers have historically focused on larger installations where the benefits of network video have been most obvious for both partners and end customers. By releasing solutions that are based on cost efficiency and simplicity both as regards installation and use, Axis has a clear ambition of boosting sales to small installations. Smaller installations are also being elevated as an increasingly prioritized area organizationally. During the year, a dedicated department was established at Axis, which will concentrate exclusively on this part of the market.

Gilles Ortega, Global Manager for Small Systems, explains: "This is a highly prioritized area for Axis. It's a part of the global market that has not attracted the attention required in order to completely replace analog technology. As we have established a dedicated department, we now have the chance to evaluate and improve how we work with this part of the market. There is a strong willingness among everyone at Axis to increase our focus on small systems and we have a good foundation to proceed from. On this basis, I can say that we need to accelerate this initiative and fine-tune our offering to both end customers and partners."

Axis currently offers two different solutions for end users with a few cameras.

- > **Axis Camera Companion:** Released during 2012. A concept where storage of material occurs directly in the network camera and users can see and handle their system from mobile devices via Axis' software. Each individual camera functions as an intelligent and independent device for recording and analysis.
- > **AXIS Video Hosting Solution:** Offered together with partners where storage of material occurs via cloud-based services and an alarm center handles the monitoring.

These solutions are continuing to perform well and are growing faster than other product categories. However, there are a number of measures that could further drive the penetration and boost the growth rate.

Gilles Ortega continues: "The ambition is a clear global plan for how these offerings should be brought to the market. We also need to see greater collaboration, for example between the marketing department, sales organization and product development in order to make the offering clearer. If we look at large installations, the end user is often very technologically skilled and knows what type of surveillance solution works best in the given situation. This is not the case in small systems. We have to train the market and offer something that is better and more cost effective than the analog technology."

With dedicated resources and continued development of products focused on user friendliness, smart solutions and cost efficiency directly targeted to small installations, Axis sees great potential to capture a strong position in this part of the market. Demand is increasing and in collaboration with local and global strategic partners, the outlook for a continued positive performance is good.



Medium-sized

Historically, the network video market has been divided into large and small installations. In recent years, it has become increasingly apparent that customers with medium-sized installations of 10–100 cameras have unique needs in terms of flexibility, capacity and use. The penetration rate in medium-sized installations is estimated at 40–50 percent. In order to meet increasing demand in this market segment, Axis released a number of products and solutions during the year, which address special demands from medium-sized partners and end users.

In really small installations, it is clear that the market is demanding solutions that focus on simplicity and an overall responsibility from Axis. In large installations, partners and end customers still want the possibility of building scalable high-tech systems with open platforms. Partners and end customers in medium-sized installations are more fragmented and in certain cases desire a user-friendly overall solution while some partners still want the possibility of creating an advanced and customized surveillance solution using Axis cameras and third party software.

Axis has clear internal goals to grow in the medium-sized installation segment and substantial investments were made during the year to develop the offering together with partners and also through a new overall solution and improved version of the Axis Camera Station software. Meanwhile, a group has been established at Axis with the aim of improving the knowledge of the specific segment. This ensures effective collaboration between the development, marketing, sales, logistics and support departments.

AXIS Camera Station software, finding a good balance between quality and price and improving collaboration with partners. By coordinating and aligning cross-functional collaboration, we create the opportunity to understand customer needs, develop the right products and market them in an effective way. There is a clear agenda to capture a strong position in this segment and we have the necessary basis to succeed."

In September 2014, the AXIS Camera Station S10 series was released as a completely new overall solution for medium-sized systems. This is based on a storage server, which is pre-installed with AXIS Camera Station. Axis' system integrators can easily install the solution with Axis network cameras and Axis is responsible for supporting the entire installation. The solution is directed towards partners and end customers that require user-friendliness and flexible installation. Using Axis' proprietary software together with the cameras ensures that the network camera's full capacity can be used and that the customer gets a system where all components are developed to function optimally.

Veronica Sällberg, Global Solution Manager at Axis says: "During the year, we initiated focused efforts on evaluating and developing our strategy and the offering towards medium-sized installations. A group is now in place to ensure that we meet current needs in this market segment and also to see how we can advance the offering. This involves work on boosting interest in our

Veronica Sällberg continues: "AXIS S10 was developed to address system integrators that want the possibility of offering a reliable and cost efficient overall solution, which is easy to install and use. Intensive efforts are now under way to train the internal organization as well as partners in the significant benefits offered by this solution. A large part of this segment still chooses analog video surveillance and we have to reach out to these resellers and installation engineers. I am very optimistic that Axis will be successful in strengthening its position in medium-sized installations. There is a clear ambition and strategy in the entire organization and we will continue to develop the solution in order to take advantage of the rapid ongoing technology shift."



installations



” AXIS S10 was developed to address system integrators that want the possibility of offering a reliable and cost efficient overall solution, which is easy to install and use.



Enterprise

Most of Axis' sales are still generated in larger installations where the benefits of network video have been most obvious for some time. Large and complex installations impose strict demands on the individual components of the system solution. Axis' close relationship with suppliers of other system-critical products makes it easy for partners and enables unique, high-tech and cost effective solutions for the end customer.

Axis estimates that large installations represent about one third of the overall market. It is also the market segment that has progressed furthest in the technology shift from analog to digital surveillance. Meanwhile, continued innovations and new fields of application are also creating good potential for future growth.

Kent Fransson, Product Manager at Axis, explains: "We continually see how technological developments are enabling new uses for security cameras. Improved image quality, bandwidth optimization, improved software for integration and smart analytics applications are examples of factors that are opening huge opportunities in new and existing end customer segments. As the market for larger installations matures, end customers are imposing increasingly clear specifications. It has therefore become more important to develop specific camera solutions, for instance for city surveillance, transportation or the oil industry. Axis' broad product portfolio is continually updated with new models in order to take advantage of these possibilities."

In connection with larger installations, a number of players usually collaborate. In addition to Axis, for example, consultants, system architects, storage services companies, software companies and

suppliers of servers and switches are involved in the process. In order to meet customer demands, Axis personnel work alongside other players in large projects to design a system that meets the demands imposed in every way.

Johan Lembre, Global Manager for Enterprise Solutions, says: "Demands from partners and end users in Enterprise differ from the other two segments. Firstly, very strict demands are imposed in respect of factors such as redundancy and stability. Each component must function as promised. Secondly, clear and specific demands are also imposed in terms of functionality of cameras as well as the system as a whole. No large installation is like another one. Thirdly, the system as a whole must be scalable. A large installation must be easily supplemented with new cameras and integrated with other systems."

Axis works today with a number of different initiatives in order to ensure a strong position among the players involved in larger installations.

With a clear agenda to continue producing high-tech solutions and strengthen collaboration with other players, Axis is well-equipped to maintain a leading position in the Enterprise segment. By adding new products and solutions to existing offerings, Axis can continue to make a difference and become an even stronger partner.

Architecture & Engineering Program:

Aims to train and build relationships with security consultants and other advisory players. The aim is to assist security consultants with necessary and relevant knowledge about Axis' solutions.

Application Development Partner Program:

The ADP program aims to help software developers to fully integrate Axis' network video solutions in end customer installations. Axis assists with open interfaces, documentation and support.

Technology Partner Program:

Axis' TPP is designed to help suppliers of hardware such as switches and servers to connect Axis' video solutions to network systems for optimized performance.

” By adding new products and solutions to existing offerings, Axis can continue to make a difference and become an even stronger partner.

Quality in every

Efficient operations are an important part of Axis' strategy and a requirement for sustainable profitability in a competitive market. Operations works continually on ensuring an optimized process from product concept to delivery. Clear goals for quality, delivery precision and environmental impact are continually evaluated.

1

Industrialization



In industrialization, the focus is on taking a product from idea to volume manufacturing, which occurs in close collaboration with R&D. The work on ensuring efficient production begins early and concurrently with the design of the parts making up the product. Suppliers are chosen together with R&D, which is even involved during the design stage so that R&D can give its opinion about production time and production costs, among other things. While determining the parts making up the product, a dialogue is conducted with component suppliers in order to be able to rapidly start volume production. This provides the possibility of achieving structured, cost efficient and flexible manufacturing with high quality.

2

Supply Chain



Supply Chain ensures that deliveries to customers take place at the intended time and with high quality. Each month, Axis' configuration centers handle thousands of new customer orders and hundreds of thousands of units are delivered to customers all over the world. Today Axis has its own configuration centers in six countries around the world. Through close collaboration with production partners and other suppliers, availability of material is ensured and thereby a high level of service to customers. Central management of the final production stage before customer delivery means that Axis can guarantee a high level of service and quality. All testing systems are designed and controlled from the headquarters in Lund in order to also ensure the same high production quality in the whole world, regardless of what parts of the supply chain are used.

The conditions are changing as Axis grows. An important factor is a dynamic supply chain, which can handle rapid changes. Therefore continual assessments are made of all players in the entire chain.

thing we do

A rapid release rate, global expansion and ambitious quality and delivery targets require a clear and flexible process throughout the entire production and logistics chain. Axis therefore continually strives to build efficient internal structures and long-term relationships with contract manufacturers, and works with its own configuration centers close to end customers. Continual risk assessments provide the opportunity to handle possible disruptions and production stoppages without impacting the end customer.

The work on ensuring an efficient production process is central to delivering products that meet or exceed customer expectations at the agreed time. Through close dialogue with the development department, Operations has the necessary basis for ensuring component supply, planning production and securing the logistics process for new products at an early stage. This creates a structured supply chain, which is effective at each stage of the process. Ultimately, this means that Axis can rapidly offer leading and cost effective products to an increasingly demanding market.

3

Production



Axis' products are produced by selected contract manufacturers at six different units in Mexico, China, Korea, Slovakia, Poland and Thailand. During 2014, Axis introduced a new production partner in Europe, which will meet current and future needs in relation to manufacturing and growth. The production units are chosen based on clearly defined criteria such as capacity requirements, cost efficiency, geographical location, working conditions and environmental aspects. Based on Axis' growth ambitions, continual evaluation of production units takes place. This is not just done to secure future production volumes. It also builds loyal relationships, commitment and reliable production planning. In order to be a stable partner and to create flexibility in the production structure, Axis should account for more than 5 percent but less than 25 percent of sales at each production unit. In an increasingly competitive market, the importance of ensuring cost efficient manufacturing also increases, which enables Axis to retain its market position and offer leading products at competitive prices.

4

Quality



Axis develops market-leading products that should meet or exceed end customer expectations. For the majority of end customers, the surveillance system is a critical component for an efficient business and the solution must cope with external impacts as well as everyday operations. Axis' products undergo careful final testing before they reach the market in order to ensure that specifications are met. The product design is verified in laboratory tests by third parties in order to ensure that the relevant international standards are met for each specific product. A quality assurance function verifies that the software meets Axis' product requirements. The design of the products is also tested. Axis requires component suppliers to be ISO 9001 certified (quality management). Manufacturing takes place according to well-developed production instructions, which are supplemented with quality control checks via Axis' production testing system, both in manufacturing and final assembly. By ensuring quality, accessibility and service for customers all the way, including guarantees and returns, this not only ensures the best possible surveillance but also increases the value of the customer's investment over many problem-free years.

Commitment, competency and taking responsibility

Axis has nurtured a strong corporate culture since the company's foundation as well as clear core values. Attracting well-qualified and committed employees is crucial for Axis' ability to continue to achieve success and strengthen the company's leading position. The number of employees has risen rapidly in recent years, which increases the importance of further strengthening a culture defined by openness, taking responsibility and new thinking.



Axis' success lies partly in the ability to identify, take advantage of and develop the employees' capabilities and promote collaboration and global exchange of knowledge. Meanwhile, the organization is pervaded by a passion to strengthen customer relationships, loyal collaboration and to be a supportive and stimulating partner.

Global core values for increased customer benefit

In a rapidly expanding organization, strong basic values are required to retain a culture defined by openness, willingness to develop and collaboration. The most important factor in realizing and retaining this culture is employees, who based on commitment, knowledge and passion are strong culture-bearers both internally and externally. With around 2,000 employees in over 40 countries, a strong focus still lies on training and activities that strengthen the culture. All new employees participate in introductory training at the headquarters in Lund in order to meet executives and other employees and gain a good insight into all parts of the company. Ultimately, this contributes to increased customer benefit and added value for business partners. Through good internal collaboration between departments and offices, the conditions are created to rapidly understand market trends and take new innovative solutions to the market.

Growth and development

To secure the increasing need of skilled employees, Axis collaborates closely with universities and colleges around Sweden. By offering the possibility of course work and trainee positions, good mutual understanding is created for expectations, needs and matching. Great importance is also attached to promoting personal development and offering clear career paths to employees. Continuous assessment provides the opportunity to set

personal goals and to support growing in the company. The ambition is that Axis shall be an even more distinctive employer and that individual goals should be linked to the company's goals in a consistent way.

Good leadership is of crucial importance in building a strong culture and Axis continually strives for strong leadership at all levels in the Group. Axis conducts continuous training for all managers in the organization. To date, about half of the managers in Sweden have participated in the training and the program will commence in the regions during 2015. The training program aims to create a common foundation and is intended to provide managers with a toolbox to lead their operations effectively and develop cross-functional relationships.

A good employer

Axis shall offer a secure and equal working environment. 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 negotiate collective agreements in accordance with local regulations and applicable conventions. Axis has implemented an evaluation tool for the purpose of comparing the relationship between the basic salaries of men and women in 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 2.2 percent (2.0).

Clear goals

Axis' HR department works on the basis of clear structures to create an effective recruitment process, scalability and to be keenly aware of all parts of the organization. During 2014, a number of new goals and development areas were established for the coming years:

Careful recruitment

- > Clear local recruitment processes
- > Developed activities towards universities and colleges
- > Target group differentiation
- > Increased use of social media

Scalable organization

- > Global HR system
- > Introductory training
- > Knowledge transfer
- > Sustainable working environment

Personal development

- > Clear career paths
- > Training policy
- > Leadership
- > Team building

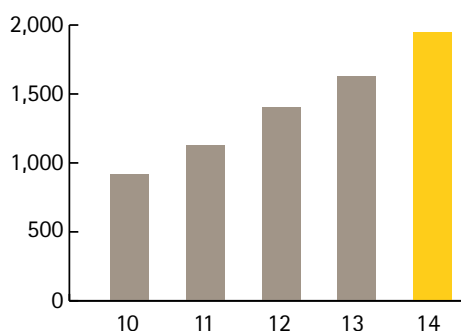
Corporate culture

- > Employee activities
- > Diversity and equality
- > Core values
- > Clear channels for internal communication

Evaluation and management

- > Global reward and compensation system
- > Evaluation of tools for operational control
- > Securing skills during generation changes
- > Continual follow-up

Number of employees 2010–2014



Employees in numbers

	2014	2013	2012
Number of employees globally	1,941	1,627	1,403
Women, %	27	27	27
Men, %	73	73	73
Average age	38	38	38
Employee turnover, % (persons who left the company)	6.8	5.8	5.0
Employees with degrees, %	81	80	78



Sustainability

Sustainability issues are a central part of Axis' operations and are based on Axis' values where all areas of the company strive to take a long-term responsibility towards the players in the value chain; shareholders and the society in which Axis operates. As market leader, Axis takes responsibility to be perceived as a standard-bearer when it comes to business ethics, social responsibility and environmental considerations.

Axis' overall sustainability goals are to take responsibility throughout the entire value chain, strive to minimize environmental impacts, promote good working conditions at suppliers and for employees and also to fight corruption and violations of human rights. These goals form a central part of the ambition to realize the business strategy – to develop innovative smart solutions and meet customer requirements relating to cost efficiency, delivery precision and functionality. Axis strives to be a transparent and responsible player that builds confidence, collaboration and commitment.

Axis focuses on three different areas; Environment, Business ethics and Social responsibility. Financial control forms the basis of the entire sustainability work.

Minimize environmental impacts

The work on minimizing the company's own climate impact has been an important part of Axis' sustainability efforts for a long time, as well as developing new, smart and more environmentally friendly and energy-efficient products and solutions in network video. Measures to reduce the climate footprint also include climate compensation for some company-specific transport services, optimization of logistics flows, increased use of overland and sea transport, and choosing suppliers that are located closer to the largest markets.

Axis' goal is to reduce its carbon dioxide emissions by 20 percent by 2016, compared to 2010. An important part of this work involves optimizing logistics flows. Axis reduced its carbon dioxide emissions from transporting products during the year by 13 percent per ton compared to 2014. During 2014, the work on identifying

how Axis should best provide climate compensation for business trips has been initiated.

Code of Conduct for all business relationships

Axis strives to ensure that business relationships are conducted in a responsible, transparent, credible and consistent manner. Axis complies with the guidelines from the UN's Global Compact initiative as well as export control regulations. In addition, Axis has a business ethics policy and a business ethics council, as well as an export control policy. Axis has an indirect business model, which means that a large part of the responsibility for production, distribution and installation of network video products rests with Axis' partners, in other words, suppliers, distributors, resellers and system integrators. Axis thus informs its partners about the company's view of sustainability and about Axis' Code of Conduct. All suppliers should sign and comply with Axis' Supplier Code of Conduct, which incorporates business ethics requirements in accordance with the UN's Global Compact, and should be certified according to ISO 14 000. In 2007, Axis joined the UN's Global Compact, which means that Axis observes ten principles in the areas of human rights, labor, environment and anti-corruption. Axis conducts continual checks on all suppliers and manufacturers in order to ensure compliance with demands relating to the environment, quality and working conditions.

Zero tolerance against corruption

Axis has a policy of zero tolerance against all types of corruption. In 2013, Axis initiated a program directed towards employees and distributors aimed at countering corruption, bribes and conflicts of interest. This includes a new anti-corruption policy, a training program for all

During the year, two products were released that are totally free from PVC plastic as well as a network camera manufactured with recycled material.



employees and a supplementary agreement for all of Axis' distributors.

Providing safety and security

Axis' products and solutions contribute to a safer and more secure world where surveillance cameras help to prevent and solve crimes. Axis instructs the company's partners to ensure as far as possible that surveillance cameras and solutions are used in the right way and that data is protected and stored securely. In addition, technological innovation and compliance with national and international regulations help to prevent cameras being used in an improper way.

Human responsibility through the whole chain

In order to be an industry leader in sustainability issues, Axis is required to continually evaluate its own obligations and to ensure that there is a common vision and clear routines in the entire organization. The corporate culture is an important factor behind Axis' success and all employees are familiar with Axis' policy regarding business ethics and social responsibility. Axis' Code of Conduct establishes the values and guidelines upon which Axis conducts its operations and that all employees must comply with in all business-related situations.

Axis has produced sustainability reports for its operations each year since 2010 and reports according to application Level C of the GRI (Global Reporting Initiative). 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 sustainability report is published.

We work to reduce our environmental impact in everything we do.

Axis has an ambition to be perceived as an industry leader in environmental and sustainability questions. As global market leader, Axis has a responsibility to drive these questions in order to increase awareness amongst all players. This means that these perspectives must be a natural part of everything we do.

Carl Trotzig, responsible for environmental issues, says: "Axis' ambitious environmental goals help to ensure that we continually challenge and evaluate ourselves as well as our suppliers. The environmental aspect should pervade commercial decisions relating to product development as well as choice of suppliers and transport. But they should also inform how we manage the operations at our offices where demands are imposed for green electricity from renewable energy sources, for example."

A large part of Axis' environmental impact is related to the product's energy consumption. Reducing energy consumption is therefore a critical part in the development work of new products. As environmental questions become increasingly important, more customers are also imposing demands for more environmentally friendly and recyclable products. Axis continually works to phase out hazardous substances before they are classified as harmful to the environment from a legal standpoint in order to effectively manage processes and achieve the best results. During the year, two products were released that are totally free from PVC plastic as well as a network camera manufactured with recycled material.

Shareholder value through profitable and long-term growth

The share's performance in 2013

Axis was listed in 2000 and since January 1, 2013 is part of the Large Cap segment on the NASDAQ OMX Stockholm exchange. The final price paid on December 31, 2014 was SEK 199.60 (223.80). The highest market price, SEK 231.00 was recorded on July 9. The lowest market price during the year, SEK 187.50, was recorded on October 15. The total number of shares amounted to 69,461,250 on December 31, 2014. The total share turnover on NASDAQ OMX Stockholm during the period January 1, 2014–December 31, 2014 amounted to 44 million shares (32). This is equivalent to a turnover rate of 64 percent of the total number of shares. The average number of shares traded per day during the period amounted to 178,405 to a value of SEK 36.6 M. The market capitalization on December 31, 2014 amounted to SEK 13,864 (15,545), a decrease of 11 percent.

Dividend

Axis' goal is to provide shareholders with a good return and long-term increase in value. Axis' dividend policy is to distribute approximately one third of the net profit in the form of a dividend. Axis' strong performance in recent years has motivated a dividend level of over 30 percent. The dividend decision is based on Axis' financial position, profitability trend, growth potential and investment needs. For the 2014 fiscal year, the Board of Directors proposes, in accordance with the company's dividend policy, a total dividend of SEK 6.00 (5.50) per share, of which SEK 3.25 represents an extra dividend. 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.

Total yield

Total yield refers to the real performance of an equity investment and consists of alteration in price including reinvested dividends. Axis' total yield for 2014 was -8.3 percent. The annual total yield has amounted to 24.4 percent during the past five years.

Ownership

At year-end, Axis had 21,029 (18,236) registered shareholders. The largest individual owners at year-end were Inter Indu with 14.49 percent of the share capital, followed by LMK Industri with 14.40 percent and Gren-specialisten, 10.30 percent. The combined holdings of the ten largest owners represented 51.2 percent (57.2) of the capital and votes of the total number of outstanding shares. No new major owners have emerged during the year.

The proportion of shareholders resident in Sweden was 95.74 percent (20,133 persons) with a combined shareholding of 86.54 percent. The participating interest of foreign shareholders amounted to 4.26 percent (896 persons) with a combined shareholding of 13.46 percent. The largest owner countries outside Sweden were the UK, USA and Norway. The share of foreign ownership is essentially unchanged compared to the previous year.

Employee stock option program

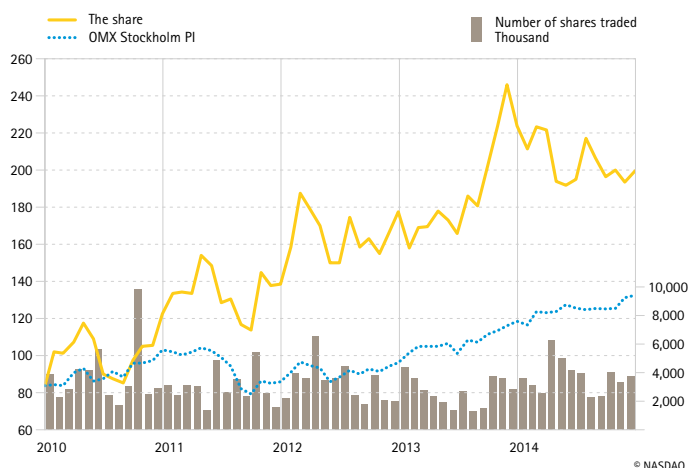
Axis has no outstanding stock option programs.

Financial information

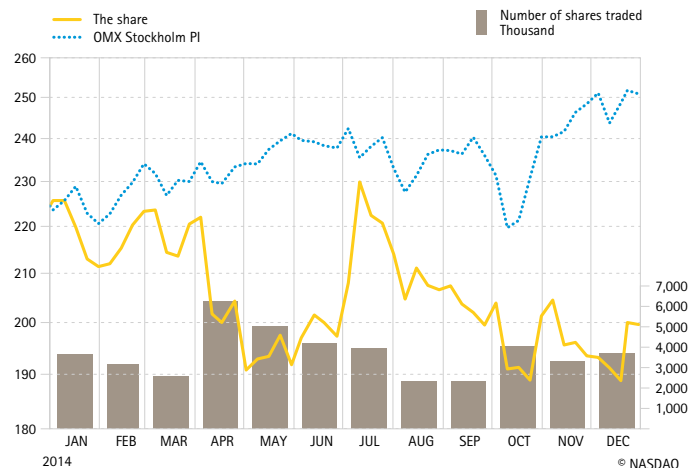
Axis' ambition is to continually provide the stock market, shareholders and other stakeholders with correct, consistent and relevant information with the aim of increasing understanding of the company. Financial information is mainly provided in interim reports, year-end reports and annual reports. Major events that can materially impact Axis' business are communicated via press releases to the media, capital market and other stakeholders. Printed versions of interim reports and the annual report are distributed to shareholders upon request.

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

Axis share price trend 2010–2014



Axis share price trend during 2014



Shareholders December 31, 2014

	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	7,157,471	10.30
Handelsbanken Fonder AB	1,661,769	2.39
Tigerschiöld estate	1,277,600	1.84
Total 5 largest shareholders	30,163,507	43.42
Other	39,297,743	56.58
Total	69,461,250	100.00

* Not including private ownership of 90,290 shares.

Ownership December 31, 2014

Holding	Number of shareholders	Number of shares	Holding, (%)	Votes (%)	Market value (SEK '000)
1–500	16,080	2,589,213	3.73	3.73	516,807
501–1,000	2,525	2,121,745	3.05	3.05	423,500
1,001–5,000	1,873	4,246,816	6.11	6.11	847,664
5,001–10,000	252	1,879,808	2.71	2.71	375,210
10,001–15,000	71	908,897	1.31	1.31	181,416
15,001–20,000	41	741,459	1.07	1.07	147,995
20,001–	187	56,973,312	82.02	82.02	11,371,873
Total	21,029	69,461,250	100.0	100.0	13,864,465

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
2014	69,461,250	0.01	694,612

Per-share data

	2014	2013
Profit after financial items, SEK	10.28	9.17
Cash flow, SEK	1.11	-1.83
Shareholders' equity, SEK	15.79	13.49
Share price at end of period, SEK	199.60	223.80
Price/equity, percent	1,264	1,659
Dividend, SEK	5.50	5.00
P/E ratio	26	32
P/S ratio	2.54	3.30
Number of outstanding shares (thousands)	69,461	69,461
Average number of shares, (thousands)	69,461	69,461

Analysts

A number of analysts follow and analyze Axis' share.

They are:

ABG Sundal Collier
Carnegie
Danske Bank
Enskilda Securities

Anders Hillerborg
Mikael Laséen
Mikael Holm
Johanna Ahlqvist
Andreas Joelsson
Victor Höglund
Daniel Djurberg


Nordea
Pareto Securities
Redeye
Swedbank
Imperial Capital

Elias Porse
David Jacobsson Cederberg
Greger Johansson
Mathias Lundberg
Jeff Kessler



Johan Lundin
Manager Investor Relations





The Board of Directors and President submit the following financial statements and consolidated financial statements for the fiscal year January 1, 2014–December 31, 2014.

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

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Administration report

Operations

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 that deliver added value to customers and that are distributed through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and groundbreaking network products in existing and new markets.

Axis has almost 2,000 dedicated employees in more than 40 countries around the world, supported by a network of over 75,000 partners across 179 countries. Founded in 1984, Axis is a Sweden-based company and is listed on Nasdaq Stockholm under the ticker AXIS.

Significant events

During the year, the network video market continued to grow at about the same rate as 2013, 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 remained strong. The market trend in 2014 was largely in line with the expectations at the start of the year. The growth rate is estimated to have been approximately 15 percent while the long-term level is in the magnitude of 16–22 percent. With sales growth of 16 percent, Axis thus should have maintained its market shares. Demand for network video products was strong during 2014, particularly in a number of emerging markets where continued investments in infrastructure and new construction created the conditions for a positive trend. Meanwhile, demand was somewhat lower in certain mature markets. During 2014, IHS Research presented its yearly report on developments in the global market for video surveillance equipment. In the report, Axis was ranked number one in the Network Video and Video Encoders categories, based on market shares. The group's market presence was strengthened with own employees in both established and new geographical markets. In established markets and in emerging markets, Axis has continued to release innovative network surveillance solutions, strengthen the network of loyal partners and train the market within the framework of the company's global training program.

The innovation rate remained high during 2014. During the first quarter, AXIS Camera Station 4.0 was introduced, an improved version of Axis' software for medium-sized installations. The software features an entirely new user interface with a clear focus on easy use. AXIS Camera Station 4.0 also enables easier and more efficient handling of camera views, faster replay of incidents, improved search functionality relating to recorded material and smoother integration with Axis' solution for access control. In the same period, Axis Q60-S PTZ dome network cameras were also released featuring stainless steel casings. The cameras are equipped with functionality for image stabilization and for handling foggy environments and are ideal for marine installations, surveillance of oil and gas environments and the chemical industry. At the ISC West trade exhibition in April, Axis unveiled its first network camera with 4K resolution, the Axis P1428-E. The camera can be used indoors as well as outdoors. With the improved image quality provided by 4K technology, it is perfectly suited for surveillance of larger public areas, for example.

During fall, the AXIS Camera Station S10 Recorder Series was released, which enables Axis to offer the market an overall solution for medium-sized installations, for example in school environments and in the retail segment. AXIS S10 Recorder includes three different server solutions, which are pre-installed with AXIS Camera Station software and configured to perfectly match Axis' network cameras. Depending on the needs of the end user and the size of the installation, the released solution supports 16, 32, or 48 video channels. By offering an overall solution, Axis simplifies both installation and management of the system for partners as well as end users.

In September, Axis' physical access control offering, the AXIS A1001 Network Door Controller, was released in Europe. The solution was introduced during the fall of 2013 in the US market and was well-received. Meanwhile, the AXIS A4011-E card reader is now also being released. This product was developed in collaboration with Assa Abloy and complements Axis' access control offering.

End users with a few cameras are a prioritized growth area for Axis. In September, the company launched proprietary mobile apps for Axis' solutions, aimed at small systems. By downloading the apps from App Store or Google Play, for example, the user can easily manage their surveillance system, be notified about triggered events and administer recorded material from a mobile device. During the period, an updated version of AXIS Camera Companion, ACC 2.20, was also released featuring enhanced functionality.

During the year, Axis also helped to increase security for one of the world's most visited monuments, the Statue of Liberty in New York, and on nearby Ellis Island. In an ambitious project led by the US system integrator Total Recall, a high-tech IP surveillance solution was created to increase efficiency and security for visitors and employees.

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 transportation sector. The close collaboration with partners, distributors, resellers and application developers continued during 2014. 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 75,000 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. As a market-leading player, Axis takes a long-term responsibility for conducting responsible operations. Sustainability is today a natural part of everything we do and we have a policy with a declared ambition to be an industry-leader in sustainability issues. During the year, we continued to work on reducing energy consumption in our products and on phasing out hazard-

ous materials even before they are classed as harmful to the environment. In spring, we released two cameras that are manufactured exclusively using recycled material. Axis is also working to shift to environmentally-friendly forms of transport as far as possible and to establish regional supply chains. The number of training programs and checks of suppliers and contract manufacturers has intensified in order to ensure that they meet Axis' strict requirements relating to the environment and working conditions.

In 2007, Axis signed the UN's Global Compact, which means that Axis observes ten principles in the areas of human rights, labor, environment and anti-corruption. Axis complies with global export control regulations and has also 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 G4 as per the new reporting standard from 2014. Axis previously reported at Level C.

Research and development

During 2014, 16.7 percent (16.2) of the group's sales were invested in research and development within both hardware and software. Research and development expenditure increased by SEK 150 M (129) compared to the preceding year and amounted to SEK 859 M (709). Expenditure on development work totaling SEK 52 M (53) was capitalized during the year. The capitalization principle is described further in Note 2 to the financial statements. Axis' technology is based on the proprietary 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 2014.

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 42 new patent families were filed, chiefly related to camera technology. During 2014, 49 national patents and a number of registered designs were granted. Axis currently holds 218 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 relatively high during 2014. At year-end, the number of employees totaled 1,941, which represents a net increase of 314 people since December 31, 2013. Most of the increase took place in sales and marketing as well as in research and development. Of the employees, 1,164 (967) people are employed in Sweden and 777 (660) in other countries.

Financing and cash flow

Axis had a total of SEK 1,415 M at its disposal on December 31, 2014, of which cash and cash equivalents amounted to SEK 415 M and unutilized credit facilities totaled SEK 1,000 M. Consequently, Axis is in a very strong financial

position approaching 2015. Cash flow from operating activities amounted to SEK 601 M (478). The strong cash flow was mainly due to the favorable operating profit. The continued expansion had a negative impact on working capital of SEK 89 M (-90), net, during 2014. Inventories and other current receivables increased by SEK 86 M and SEK 53 M respectively, while current liabilities increased by SEK 50 M. The increase in other current receivables was largely due to increased trade receivables driven by a general increase in sales. Net investments for the year totaled SEK 142 M (117) and total cash flow amounted to SEK 77 M (-127) after dividends paid of SEK 382 M.

Investments

Investments in property, plant and equipment amounted to SEK 89 M (61), and in intangible assets to SEK 54 M (57). Net investments for the year according to the consolidated cash flow statement amounted to SEK 142 M (117).

Change in control clause

With the exception of the credit agreement relating to the credit facility of SEK 1,000 M, no significant agreements exist that the company is party to and which take effect, 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 occasion serious harm to the company.

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 5,450 M (4,717), which represented growth of 16 percent compared to the preceding year. Currency effects impacted sales positively by SEK 173 M. The Video product area, which corresponds to more than 99 percent of sales, increased by 15 percent from SEK 4,708 M to SEK 5,430 M while other sales increased to SEK 20 M. The gross margin essentially remained at the same level as the preceding year and amounted to 51.8 percent compared to 51.5 percent in 2013.

The group's operating profit amounted to SEK 715 M (640), which is an increase of SEK 75 M (12 %) compared to the preceding year. Operating margin amounted to 13.1 percent compared to 13.6 percent in 2013. Currency effects had a positive impact on operating profit of SEK 24 M. Profit before tax amounted to SEK 714 M (637), which represented an increase of SEK 77 M compared to the preceding year.

Condensed income statement

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	TOTAL 2014
Net sales, SEK M	1,129.1	1,354.7	1,462.1	1,503.8	5,449.7
Gross profit, SEK M	569.8	706.9	760.9	784.4	2,822.0
Gross margin, %	50.5	52.2	52.0	52.2	51.8
Operating profit, SEK M	72.1	187.6	256.5	199.2	715.4
Operating margin, %	6.4	13.8	17.5	13.2	13.1
Profit before tax, SEK M	71.0	186.8	253.2	202.9	713.9
Profit margin, %	6.3	13.8	17.3	13.5	13.1

Group key ratios

	2014	2013	2012	2011	2010
Net sales, SEK M	5,449.7	4,716.8	4,183.5	3,577.6	2,933.0
Profit before tax, SEK M	713.9	637.2	568.8	631.0	412.8
Total assets, SEK M	2,206.7	1,942.9	1,696.1	1,539.6	1,216.8
Equity/assets ratio, %	49.7	48.2	47.7	49.9	51.5
Return on total assets, %	34.6	35.2	34.7	44.9	35.5
Return on equity, %	54.8	56.9	53.1	66.6	49.3
Earnings per share before dilution, SEK	7.76	6.89	6.15	6.56	4.32
Earnings per share after dilution, SEK	7.76	6.89	6.15	6.56	4.32
Shares before dilution, thousands (average)	69,461	69,461	69,461	69,461	69,406
Shares after dilution, thousands (average)	69,461	69,461	69,461	69,461	69,406
Number of employees at year-end	1,941	1,627	1,403	1,127	914

Definitions are presented in Note 30.

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 according 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 2014, 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 the senior executives shall be to offer compensation that promotes the recruitment of skilled expertise and retaining it in 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 an 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 most multinational companies. Although the global economy recovered somewhat during 2014, macroeconomic challenges remain in several of the regions where Axis conducts operations. A weak economy indirectly affects customers' willingness to invest, investment capability and financing possibilities. 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. During 2014, the sales trend was primarily affected by the performance in Eastern Europe. Another, partly political question, is social acceptance of camera surveillance as well as the privacy issues which 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 rate 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 to increase understanding of the new technology. The training mainly takes place in Axis' different partner programs and in the form of Axis Communications Academy.

Trust in and acceptance of new technology and applications in a high-tech 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-tech 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 over 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. Most 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.

Intellectual property risk

Axis is party to various disputes as part of its normal business operations, including in the patent field. These types of disputes can be costly and protracted. In addition, it is often difficult to predict the outcome of complex lawsuits. 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.

Outlook

The market activity and the inflow of new projects means that Axis' view on the current market growth rate remains unchanged. External market research institutions estimated in their latest reports that the long-term growth rate for the network video market is approximately 16–22 percent. 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 55 M (-16).

Proposed appropriation of profits in the Parent Company

At the disposal of the annual general meeting:

Accumulated profit or loss and other non-restricted reserves	SEK 942,278
Net profit for the year	SEK 421,762,528
TOTAL	SEK 422,704,806

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 6.00 per share shall be paid to shareholders	SEK 416,767,500
to be carried forward	SEK 5,937,306
TOTAL	SEK 422,704,806

The board anticipates a continued positive trend during the 2015 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	2014	2013	2012
Net sales	4	5,449.7	4,716.8	4,183.5
Cost of goods and services sold		-2,627.7	-2,286.6	-2,080.0
Gross profit		2,822.0	2,430.2	2,103.5
Other income and changes in value	8	-1.6	-8.0	-30.0
Selling and marketing expenses		-1,019.6	-864.4	-747.5
Administrative expenses		-226.7	-208.9	-171.0
Research and development expenses		-858.7	-708.6	-579.7
Operating profit	5, 6, 7	715.4	640.3	575.3
Financial income		1.7	1.2	0.9
Financial expenses		-3.2	-4.3	-7.4
Net financial items		-1.5	-3.1	-6.5
Profit before tax		713.9	637.2	568.8
Tax	10	-174.6	-158.3	-141.5
NET PROFIT FOR THE YEAR		539.3	478.9	427.3
Other comprehensive income*				
Items that later may be transferred to the income statement				
Exchange differences		2.9	-4.5	-4.1
Other comprehensive income for the year, net after tax		2.9	-4.5	-4.1
Total comprehensive income for the year		542.2	474.4	423.2
Net profit for the year attributable to:				
The parent company's shareholders		539.3	478.9	427.3
Total comprehensive income attributable to:				
The parent company's shareholders		542.2	474.4	423.2
Earnings per share before dilution, SEK	11	7.76	6.89	6.15
Earnings per share after dilution, SEK		7.76	6.89	6.15
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		6.00	5.50	5.00

* 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, 2014	Dec 31, 2013	Dec 31, 2012
Non-current assets				
Property, plant and equipment	5	142.4	99.5	78.9
Intangible assets	5	192.1	165.3	125.1
Other financial assets	15	3.8	5.7	6.9
Total non-current assets		338.3	270.5	210.9
Current assets				
Inventories	13	722.3	636.8	536.0
Trade receivables and other receivables	14	731.5	697.9	484.7
Cash and cash equivalents	16	414.6	337.7	464.5
Total current assets		1,868.4	1,672.4	1,485.2
TOTAL ASSETS		2,206.7	1,942.9	1,696.1

EQUITY & LIABILITIES	Note	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
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	-15.7	-18.6	-14.1
Retained earnings		832.9	675.6	544.0
Total equity		1,097.1	936.9	809.8
Liabilities				
<i>Non-current liabilities</i>				
Retirement benefit obligations	20	4.4	3.5	2.7
Deferred tax liabilities	12	133.1	111.8	83.3
Other provisions	21	49.9	44.0	38.6
Total non-current liabilities		187.4	159.3	124.6
<i>Current liabilities</i>				
Borrowings	19	-	-	140.0
Trade payables and other liabilities	22	892.2	846.7	618.6
Current tax liabilities		30.0	-	3.1
Total current liabilities		922.2	846.7	761.7
Total liabilities		1 109.6	1,006.0	886.3
TOTAL EQUITY AND LIABILITIES		2,206.7	1,942.9	1,696.1
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, 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
Opening balance at January 1, 2014	0.7	279.2	-18.6	675.6	936.9
Comprehensive income					
Net profit for the year	-	-	-	539.3	539.3
Other comprehensive income					
Exchange differences	-	-	2.9	-	2.9
Total other comprehensive income	-	-	2.9	-	2.9
Total comprehensive income	-	-	2.9	539.3	542.2
Transactions with owners					
Dividend in respect of 2013	-	-	-	-382.0	-382.0
Total transactions with owners	-	-	-	-382.0	-382.0
Closing balance at December 31, 2014	0.7	279.2	-15.7	832.9	1,097.1

Consolidated cash flow statement

	Note	2014	2013	2012
<i>Operating activities</i>				
Cash flow from operations	28	705.7	607.7	601.9
Interest paid		-3.2	-3.2	-4.8
Interest received		1.8	1.2	0.9
Taxes paid		-103.8	-128.2	-237.4
Cash flow from operating activities		600.5	477.5	360.6
<i>Investing activities</i>				
Purchase of property, plant and equipment	5	-89.4	-61.0	-44.6
Purchase of intangible assets	5	-54.1	-57.2	-29.6
Acquisition of subsidiaries and operations		-	-	-2.4
Other		1.9	1.2	-2.5
Cash flow from investing activities		-141.6	-117.0	-79.1
<i>Financing activities</i>				
Dividend paid		-382.0	-347.3	-382.0
Amortization of loans		-	-140.0	-
Borrowing		-	0.0	140.0
Cash flow from financing activities		-382.0	-487.3	-242.0
Cash flow for the year		76.9	-126.8	39.5
Cash and cash equivalents at beginning of year		337.7	464.5	425.0
Change in cash and cash equivalents		76.9	-126.8	39.5
Cash and cash equivalents at end of year	16	414.6	337.7	464.5

Parent company income statement

	Note	2014	2013	2012
Net sales		100.5	25.9	25.7
Gross profit		100.5	25.9	25.7
Administrative expenses		-43.0	-37.4	-36.2
Operating profit	5	57.5	-11.5	-10.5
Financial income	23	34.9	16.1	58.0
Financial expenses	24	-37.7	-20.5	-7.1
Net financial items		-2.8	-4.4	50.9
Profit/loss after financial items		54.7	-15.9	40.4
Appropriations	25	478.9	405.5	372.3
Profit before tax		533.6	389.6	412.7
Tax	10	-111.8	-83.7	-98.5
Net profit for the year		421.8	305.9	314.2

Parent company statement of comprehensive income

	Note	2014	2013	2012
Net profit for the year		421.8	305.9	314.2
Total comprehensive income for the year		421.8	305.9	314.2

Parent company balance sheet

ASSETS	Note	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Non-current assets				
<i>Intangible assets</i>				
Patents	5	7.1	9.5	11.9
Total intangible assets		7.1	9.5	11.9
<i>Financial assets</i>				
Participations in subsidiaries	26	0.8	0.8	0.8
Other financial assets		-	-	-
Total financial assets		0.8	0.8	0.8
Total non-current assets		7.9	10.3	12.7
Current assets				
<i>Receivables</i>				
Receivables from group companies		984.5	749.6	982.1
Tax receivables		0.0	15.0	19.9
Prepaid expenses and accrued income		1.8	2.4	1.8
Total receivables		986.3	767.0	1,003.8
<i>Cash and bank balances</i>				
Cash and bank balances	16	113.6	122.5	32.4
Total cash and bank balances		113.6	122.5	32.4
Total current assets		1,099.9	889.5	1,036.2
Total assets		1,107.8	899.8	1,048.9
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		0.9	77.0	110.1
Net profit for the year		421.8	305.9	314.2
Total non-restricted equity		422.7	382.9	424.3
Total equity		423.4	383.6	425.0
Untaxed reserves				
Tax allocation reserve		634.1	506.7	475.0
Accumulated additional depreciation		3.8	3.8	3.7
Total untaxed reserves		637.9	510.5	478.7
Liabilities				
<i>Current liabilities</i>				
Borrowings	19	-	-	140.0
Liabilities to group companies		0.9	0.9	0.7
Tax liabilities		35.2	-	-
Other liabilities		5.5	1.0	0.5
Accrued expenses and deferred income		4.9	3.8	4.0
Total current liabilities		46.5	5.7	145.2
Total liabilities		46.5	5.7	145.2
Total equity and liabilities		1,107.8	899.8	1,048.9
Memorandum items				
<i>Pledged assets</i>		NONE	NONE	NONE
<i>Contingent liabilities</i>	27	28.5	26.8	26.1

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, 2011	0.7	4.1	2.2	485.8	492.8
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	106.0	314.2	425.0
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	72.9	305.9	383.6
Reversal of net profit for the year	-	-	305.9	-305.9	-
Dividend	-	-	-382.0	-	-382.0
Net profit for the year	-	-	-	421.8	421.8
Equity at December 31, 2014	0.7	4.1	-3.2	421.8	423.4

Number of shares at December 31, 2014 totaled 69,461,250. The quota value was SEK 0.01 per share.

At the annual general meeting on March 25, 2015, a dividend of SEK 6.00 per share in respect of 2014 will be proposed. During 2014, SEK 5.50 per share was paid in respect of the fiscal year 2013, and during 2013 SEK 5.00 per share was paid in respect of the fiscal year 2012.

Parent company cash flow statement

	Note	2014	2013	2012
<i>Operating activities</i>				
Cash flow from operations	28	66.1	-9.4	4.3
Financial expenses paid		-37.8	-20.2	-4.1
Financial income received		2.0	1.5	0.0
Taxes paid		-61.5	-78.8	-207.1
Cash flow from operating activities		-31.2	-106.9	-206.9
<i>Financing activities</i>				
Dividend paid		-382.0	-347.3	-382.0
Amortization of loans		-	-140.0	-
Borrowing		-	-	140.0
Group contributions received	25	606.5	437.4	498.2
Group contributions paid	25	-0.2	-0.1	-0.2
Change in current receivables/liabilities, group companies		-202.0	247.0	-172.0
Cash flow from financing activities		22.3	197.0	84.0
Cash flow for the year		-8.9	90.1	-122.9
Cash and cash equivalents at beginning of year		122.5	32.4	155.3
Change in cash and cash equivalents		-8.9	90.1	-122.9
Cash and cash equivalents at end of year		113.6	122.5	32.4

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 Sweden-based 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 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 29, 2015.

Note 2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements 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 applied when these consolidated financial statements were prepared are presented 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

(a) New and amended standards adopted by the group as of January 1, 2014

No new or amended standards and interpretations are expected to have a material impact on the consolidated financial statements.

(b) New and amended standards adopted by the parent company as of January 1, 2014

The parent company applies the alternative rule in RFR 2 in connection with recognition of group contributions, i.e. both group contributions paid and received are recognized as appropriations. For comparability between years, the comparative years have been restated.

Otherwise, none of the new or amended standards are judged to have any material impact on the parent company's financial statements.

(c) New standards and interpretations that will be adopted by the group from January 1, 2015 and subsequently

IFRS 9 "Financial instruments" deals with classification, measurement and accounting of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014. It replaces the parts of IAS 39 that deal with classification and measurement of financial instruments. IFRS 9 retains a mixed measurement model but simplifies the model in certain respects. There will be three measurement categories for financial assets; amortized cost, fair value through other comprehensive income and fair value through profit or loss. How an instrument should be classified depends on the entity's business model and the contractual cash flow characteristics of the instrument. Investments in equity instruments should be accounted for at fair value through profit or

loss but a possibility also exists to account for the instrument at fair value through other comprehensive income on initial recognition. No reclassification to profit and loss will then occur in connection with disposal of the instrument. IFRS 9 also introduces a new model for measurement of credit loss provisions that is based on expected credit losses. Thus the classification and measurement is not changed for financial liabilities, apart from those cases when a liability is recognized at fair value through profit or loss based on the fair value option. Changes in value related to changes in own credit risk should be recognized in other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting by replacing the 80 %-125 % criterion with a requirement of an economic relationship between the hedging instrument and the hedged item. The hedging ratio should be the same as the actual quantities used for risk management. The hedge documentation requirements also changed somewhat compared to the requirements under IAS 39. The standard will be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The group has still not evaluated the effects of introducing the standard.

IFRS 15 "Revenue from Contracts with Customers" prescribes how revenue recognition should occur. The principles that IFRS 15 is based on should provide users of financial statements with more useful information about the company's revenue. The expanded disclosure requirements mean that information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer should be reported. Under IFRS 15, revenue should be recognized when the customer obtains control over the sold good or service and is able to use and obtain the benefit of the good or service. IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and the related SIC and IFRIC interpretations. IFRS 15 will become effective on January 1, 2017. Earlier application is permitted. The group has still not evaluated the effects of introducing the standard.

None of the other IFRSs or IFRIC interpretations which have not yet become effective are expected to have any material impact on the group.

2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when it is exposed to or has the right to a variable return from its holding in the entity and has the possibility to affect the return through its influence in the 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 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 recognized 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 stated 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 written down 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:

Plant and equipment 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 the group must have 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 amount may not actually be recoverable. An impairment is made by 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 ready for 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.

(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 it 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 an impairment need exists 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.

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, "Statement of Cash Flows", 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.

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

2.17 Borrowing costs

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 an 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 that are financed through insurance with Alecta, this is a multi-employer defined-benefit plan. For the fiscal year 2014, 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 of less 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 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 2014 (2013 and 2012). 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 2014, the group had short-term interest-bearing liabilities of SEK 0 M (2013: 0, 2012: 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, 2014, SEK 50 M (2013: 100, 2012: 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 2014. Apart from currency exposure, the factors assessed as having the greatest effect on results are purchase prices and payroll expenses. As a substantial part of sales and purchasing are made in USD, Axis has a natural match for currency exposure in USD.

Factor	Change, %	Effect on operating profit, SEK M
Currency, SEK/USD	+/-5	+/- 47
Currency, SEK/EUR	+/-5	+/- 38
Purchasing	+/-5	+/- 98
Personnel	+/-5	+/- 71

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative 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 creditworthiness 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. During 2014, credit risk insurance was taken out for some of our customers. These insurance policies were not utilized.

For risk assessment of trade receivables see the age distributed accounts receivable 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. According to this policy, Axis must have access at all times to SEK 200 M in cash and cash equivalents or unutilized credit facilities. At December 31, 2014, Axis had SEK 415 M (2013: 338, 2012: 465) in cash and cash equivalents and unutilized credit facilities of SEK 1,000 M (2013: 500, 2012: 360). The credit facilities are effective until December 31, 2017.

The credit facilities are contingent on special requirements of the banks. These requirements state that: a) the interest coverage ratio, expressed as EBITDA/Financial Net Payable, (profit before net financial items, taxes, depreciation and impairments of non-current assets in relation to financial net expenditure) 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 3.

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 for the purpose of protecting sales and procurement in foreign currencies 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, 2014, (2013, 2012) Axis had no derivative instruments that were used for fair value hedges.

(b) Cash flow hedge

At December 31, 2014 (2013, 2012), 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 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 2014 (2013 and 2012), 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, Americas 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 by a separate production planning function based 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 75,000 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 things. 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	2014	2013	2012
EMEA (Europe, Middle East, Africa)	1,999.2	1,764.1	1,578.6
Americas	2,742.7	2,363.8	2,117.5
Asia	707.8	588.9	487.4
Total	5,449.7	4,716.8	4,183.5
Revenues per country	2014	2013	2012
Sweden	0.0	0.4	0.1
USA	2,474.2	2,143.3	1,923.3
Other countries	2,975.5	2,573.1	2,260.1
Total	5,449.7	4,716.8	4,183.5

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

Non-current assets by country	2014	2013	2012
Sweden	293.1	236.4	177.3
Other countries	41.4	28.4	26.7
Total	334.5	264.8	204.0

Note 5 Property, plant and equipment and intangible assets

Group

	Equipment and fittings	Improvement measures in leased properties	Total	Capitalized development	Rights/ web domains	Total
2012						
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						
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 as 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
2014						
Accumulated acquisition value						
Opening balance at January 1, 2014	286.2	6.0	292.2	271.5	44.3	315.8
Investments	69.6	19.8	89.4	51.9	2.2	54.1
Sales/disposals	-5.2	-	-5.2	-5.0	-8.5	-13.5
Reclassifications	-13.7	17.0	3.3	-	-	-
Translation differences	6.4	2.7	9.1	-	-	-
Closing balance at December 31, 2014	343.3	45.5	388.8	318.4	38.0	356.4
Accumulated depreciation/amortization						
Opening balance at January 1, 2014	-190.7	-2.0	-192.7	-119.7	-30.8	-150.5
Depreciation/amortization	-44.2	-5.6	-49.8	-18.3	-4.0	-22.3
Sales/disposals	4.2	-	4.2	-	8.5	8.5
Reclassifications	5.1	-8.4	-3.3	-	-	-
Translation differences	-3.8	-1.0	-4.8	-	-	-
Closing balance at December 31, 2014	-229.4	-17.0	-246.4	-138.0	-26.3	-164.3
Net carrying amount	113.9	28.5	142.4	180.4	11.7	192.1

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

Note 5 (continued)

Parent Company

2012	Rights	Total
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 depreciation/amortization		
Balance brought forward at January 1, 2012	-5.5	-5.5
Depreciation/amortization	-2.3	-2.3
Balance carried forward at December 31, 2012	-7.8	-7.8
Net carrying amount	11.9	11.9
2013	Rights	Total
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 depreciation/amortization		
Balance brought forward at January 1, 2013	-7.8	-7.8
Depreciation/amortization	-2.4	-2.4
Balance carried forward at December 31, 2013	-10.2	-10.2
Net carrying amount	9.5	9.5
2014	Rights	Total
Accumulated acquisition value		
Opening balance at January 1, 2014	19.7	19.7
Investments	-	-
Closing balance at December 31, 2014	19.7	19.7
Accumulated depreciation/amortization		
Opening balance at January 1, 2014	-10.2	-10.2
Depreciation/amortization	-2.4	-2.4
Closing balance at December 31, 2014	-12.6	-12.6
Net carrying amount	7.1	7.1

Note 6 Costs allocated per type of cost

	2014	2013	2012
Depreciation and impairment losses	-72.1	-55.4	-49.9
Expenses for remuneration to employees (Note 20)	-1,230.5	-1,035.7	-852.8
Cost of purchasing and handling goods for resale	-2,627.7	-2,286.6	-2,080.0
Other external expenses	-802.4	-690.8	-595.5
	-4,732.7	-4,068.5	-3,578.2

Note 7 Audit fees

	Group		
	2014	2013	2012
PwC			
The audit assignment	1.6	1.3	1.2
Audit work apart from the audit assignment	0.4	0.2	0.2
Tax consultancy	0.8	1.7	1.0
Other services	1.4	0.2	0.1
	4.2	3.4	2.5
Other Auditors			
The audit assignment	2.6	2.3	1.9
Audit work apart from the audit assignment	-	0.1	-
Tax consultancy	0.3	0.4	0.5
Other services	0.5	0.3	0.3
	3.4	3.1	2.7
Group total	7.6	6.5	5.2

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		
	2014	2013	2012
Exchange differences	-1.6	-8.0	-30.0
	-1.6	-8.0	-30.0

Note 9 Lease obligations*

Leasing costs for the year amounted to SEK 110.9 M (2013: 87.6, 2012: 70.6) 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		
	2014	2013	2012
	Minimum lease payments	Minimum lease payments	Minimum lease payments
Leasing within 1 year	107.9	89.8	63.8
Leasing between 1 and 5 years	223.8	212.2	215.2
Leasing more than 5 years	11.3	11.1	5.2
	343.0	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		
	2014	2013	2012	2014	2013	2012
Current tax*	-153.1	-129.9	-132.5	-111.8	-83.7	-98.5
Deferred tax*	-21.5	-28.4	-9.0	-	-	-
	-174.6	-158.3	-141.5	-111.8	-83.7	-98.5
Recognized profit before tax	713.9	637.2	568.8	533.5	389.6	412.7
Theoretical tax	-157.0	-140.2	-149.6	-117.4	-85.7	-108.5
Recognized tax	-174.6	-158.3	-141.5	-111.8	-83.7	-98.5
Difference between theoretical and recognized tax	-17.6	-18.1	8.1	5.6	2.0	10.0
<i>Due</i>						
Non-deductible expenses	-12.7	-6.5	-7.4	-1.6	-1.1	-1.1
Differences in tax rates	-9.0	-14.1	14.0	-	-	-
<i>Deductible</i>						
Non-taxable income	4.1	2.5	1.5	7.2	3.1	11.1
	-17.6	-18.1	8.1	5.6	2.0	10.0

The current tax rate for 2014 is 22.0 percent. For the comparative year 2013, the tax rate was 22 percent and for 2012, the tax rate was 26.3 percent.

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

	2014			2013			2012		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Exchange differences	2.9	-	2.9	-4.5	-	-4.5	-4.1	-	-4.1
	2.9	-	2.9	-4.5	-	-4.5	-4.1	-	-4.1

*) For 2013, SEK 4.2 M was reclassified from current tax to deferred tax. The amount relates to deferred tax revenue in Brazil.

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.

	2014	2013	2012
Earnings attributable to the parent company's shareholders	539.3	478.9	427.3
Weighted average number of outstanding ordinary shares, thousands	69,461	69,461	69,461
Earnings per share before dilution, SEK	7.76	6.89	6.15

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.

	2014	2013	2012
Earnings attributable to the parent company's shareholders	539.3	478.9	427.3
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	7.76	6.89	6.15

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, 2014	Dec 31, 2013	Dec 31, 2012
<i>Deferred tax receivables ¹⁾</i>			
Property, plant and equipment and intangible assets	0.4	0.9	0.9
Financial instruments	2.7	2.7	2.7
Inventories	7.1	9.4	6.5
Other items	35.9	20.1 ³⁾	11.1
	46.1	33.1	21.2
<i>Deferred tax liabilities</i>			
Tax allocation reserve	139.5	111.5	104.5
Property, plant and equipment and intangible assets	39.7	33.4	-
	179.2	144.9	104.5
Deferred tax assets/tax liabilities ²⁾	-133.1	-111.8	-83.3

	Group		
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Opening deferred tax assets/tax liabilities ²⁾	-111.8	-83.3	-74.3
Change during the year in:			
- property, plant and equipment and intangible assets	-6.8	-33.4	-0.1
- inventories	-2.3	2.9	1.3
- other items	15.8	9.0 ³⁾	2.2
- tax allocation reserve	-28.0	-7.0	-12.4
Closing deferred tax assets/tax liabilities	-133.1	-111.8	-83.3

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

²⁾ The amount includes SEK 0 M (2013: 0, 2012: 0) which refers to income tax attributable to components in other comprehensive income (Note 10).

³⁾ Deferred tax in Brazil of SEK 4.2 M has been reclassified from other liabilities to deferred tax liabilities in the consolidated balance sheet and from current tax to deferred tax in the consolidated statement of comprehensive income.

Note 13 Inventories

	Group		
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Goods for resale	722.3	636.8	536.0
	722.3	636.8	536.0

Note 14 Trade receivables and other receivables

	Group		
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Trade receivables	643.2	596.4	397.3
Provision for doubtful trade receivables	-6.7	-4.4	-5.4
Trade receivables - net ¹⁾	636.5	592.0	391.9
Tax asset	0.0	19.3	19.9
Other receivables	35.9	32.9	26.2
Prepaid expenses and accrued income	59.1	53.7	46.7
	731.5	697.9	484.7

¹⁾ The amount includes contract manufacturers of SEK 118.9 M (2013: 68.0, 2012: 30.3). Contract manufacturers refers to invoices issued to subcontractors when products are sent for reprocessing.

Note 14 (continued)

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, 2014, the effect of this net accounting, is a reduction in trade receivables of SEK 278 M (2013: 139, 2012: 93).

Changes in the provision for doubtful receivables are as follows:

	Group		
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Opening balance	-4.4	-5.4	-5.2
Provision for doubtful receivables	-2.3	0.0	-1.4
Receivables written off during the year that are not recoverable	0.0	0.6	1.1
Reversed unutilized amount	0.0	0.4	0.1
Closing balance	-6.7	-4.4	-5.4

Age distribution of trade receivables:

	Group		
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Not due	493.7	485.1	322.5
Due for up to 3 months ¹⁾	140.5	105.9	69.8
Due over 3 months	9.0	5.4	5.0
Total trade receivables	643.2	596.4	397.3
Provision for doubtful receivables	-6.7	-4.4	-5.4
Recognized trade receivables	636.5	592.0	391.9

The actual customer losses during 2014 totaled SEK 0 M (2013: 0.6, 2012: 1.1). Credit risk insurance was taken out for a number of our customers in 2014.

¹⁾ Of the invoices for 2014 due for up to 3 months, SEK 49.4 M fell due during the last week of December.

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

Risk range	Group		
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Lowest risk	177.4	69.4	39.0
Low risk	285.4	116.2	80.1
Medium risk	35.4	228.7	223.2
High risk	64.8	17.3	1.8
Highest risk	0.1	25.2	3.2
Unclassified	77.1	107.4	40.5
No Dun & Bradstreet data	3.0	32.2	9.5
Total	643.2	596.4	397.3

Note 15 Other financial assets

	Group		
	31 dec 2014	31 dec 2013	31 dec 2012
Prepaid licenses	0.0	2.6	2.6
Rent depositions	3.1	2.0	3.2
Other	0.7	1.1	1.1
	3.8	5.7	6.9

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, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Cash and bank balances	364.6	237.7	464.5	63.6	22.5	32.4
Short-term investments	50.0	100.0	-	50.0	100.0	-
	414.6	337.7	464.5	113.6	122.5	32.4

Credit rating of cash and cash equivalents:

	Group					
	Dec 31, 2014	Rating 2014	Dec 31, 2013	Rating 2013	Dec 31, 2012	Rating 2012
Danske Bank	50.1	A	100.0	A-	0.1	A-
HSBC	77.7	AA-	96.7	AA-	142.5	AA-
Nordea	269.4	AA-	122.8	AA-	314.7	AA-
Skandinaviska Enskilda Banken	0.0	A+	0.0	A+	0.0	A+
Svenska Handelsbanken	0.1	AA-	0.1	AA-	0.1	AA-
Other	17.3	-	18.1	-	7.1	-
	414.6		337.7		464.5	

The effective rate of interest for short-term investments was 0.67 % on December 31, 2014 (2013: 1.8 %). These investments had an average maturity of 9 days (2013: 14 days). At December 31, 2012, Axis had no short-term investments. At December 31, 2014, Axis had an unutilized credit facility of SEK 1,000 M (2013: 500, 2012: 360). The credit facility is contingent on the bank's special requirements. During 2014, no violations of these requirements occurred.

Note 17 Share capital

The company's share capital consists of 69,461,250 (2013: 69,461,250, 2012: 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
Opening balance 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
Opening balance at January 1, 2014	-8.5	-10.1	-18.6
Translation differences	-	2.9	2.9
Closing balance at December 31, 2014	-8.5	-7.2	-15.7

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 (2013: SEK 0 M, 2012: SEK 0 M).

Note 19 Borrowing

	Group			Parent Company		
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
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

Average number of employees

	2014	Of whom men	2013	Of whom men	2012	Of whom men
Parent Company	-	-	-	-	-	-
Argentina	2	1	2	0	3	1
Australia	15	11	11	9	8	7
Brazil	37	23	23	14	21	13
Chile	4	4	3	2	2	1
Colombia	6	4	4	2	3	2
United Arab Emirates	15	11	15	12	12	9
Finland	1	1	1	1	1	1
France	29	16	26	12	25	12
Hong Kong	23	8	18	10	11	7
India	18	16	17	15	12	11
Italy	20	14	19	14	18	13
Japan	27	14	21	12	13	9
Canada	19	12	18	11	12	7
China	77	50	56	37	40	27
Korea	11	4	9	2	7	2
Malaysia	7	5	5	4	3	3
Mexico	17	11	17	11	11	6
Netherlands	15	13	15	13	13	12
Norway	1	1	0	0	0	0
New Zealand	1	1	0	0	0	0
Poland	5	3	3	2	3	2
Russia	27	11	20	12	10	7
Singapore	33	17	31	14	27	13
Spain	14	12	14	12	14	12
UK	28	22	24	19	21	17
Sweden	1,059	804	913	695	786	595
South Africa	18	12	17	11	12	6
Taiwan	8	3	7	3	5	3
Czech Republic	10	6	8	5	5	3
Turkey	4	3	3	2	3	2
Germany	39	22	37	21	31	23
USA	207	157	175	131	146	111
Group total	1,797	1,292	1,532	1,108	1,278	937

Gender distribution among senior executives

	2014		2013		2012	
	Number at the balance sheet date	Women	Number at the balance sheet date	Women	Number at the balance sheet date	Women
Board of Directors	8	13 %	8	13 %	6	17 %
Group Management	9	22 %	9	22 %	9	22 %

Wages, salaries and other remuneration allocated among senior executives and others

	Board of Directors, President and other senior executives			Others			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	20.8	21.7	14.9	916.1	760.2	632.4	936.9	781.9	647.3
Group total	20.8	21.7	14.9	916.1	760.2	632.4	936.9	781.9	647.3

Salaries and other remuneration above includes remuneration to senior executives who are employed in the group. Directors' fees are not included. Salaries and remuneration to the board of directors and the President and CEO were paid through the subsidiary company, Axis Communications AB.

	Salaries and remuneration			Social security contributions			(of which pension expenses)		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	936.9	781.9	647.3	293.6	253.8	205.5	77.9	65.6	55.2
Group total	936.9	781.9	647.3	293.6	253.8	205.5	77.9	65.6	55.2

Remuneration to the board of directors

	Group		
	2014	2013	2012
Directors' fees	1.0	1.0	1.2
	1.0	1.0	1.2

Remuneration to the board and other senior executives

The board receives total directors' fees of SEK 1.0 M in accordance with the resolution of the AGM. 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 group or to 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. Other benefits and other remuneration are received on a corresponding basis to other employees. The term "other senior executives" refers to the people who constituted the Group Management during the year. At December 31, 2014, the Group Management was composed of 9 people including the President and CEO.

The apportionment between basic salary and variable remuneration will be proportionate to the executive's responsibility and authority. The variable remuneration to the President and CEO shall be maximized at 240 percent of the annual salary and for the other senior executives the variable remuneration is maximized at 80 percent of the annual salary. Variable remuneration to the President and CEO, and other senior executives in 2014 was based on the financial targets for the group in respect of sales growth and operating margin.

The results for the 2014 fiscal year have been charged with SEK 2.1 M in bonus for the President and CEO and SEK 2.7 M in total for the other senior executives.

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

2012	Basic salary/fees	Bonus	Other benefits	Pension expense	Other remuneration	Total
Board of Directors						
Lars-Erik Nilsson (Chairman)	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
Group Management						
Ray Mauritsson (President & CEO)	2.3	0.8	0.0	1.7	-	4.8
Other persons in the Group Management (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
Board of Directors						
Roland Vejdemo (Chairman)	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
Group Management						
Ray Mauritsson (President & CEO)	2.4	2.7	0.0	1.4	-	6.5
Other persons in the Group Management (8)	12.2	3.3	0.1	2.9	-	18.5
	16.6	6.0	0.1	4.5	-	27.2

2014	Basic salary/fees	Bonus	Other benefits	Pension expense	Other remuneration	Total
Board of Directors						
Roland Vejdemo (Chairman)	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	-	0.3	-	1.3
Group Management						
Ray Mauritsson (President & CEO)	2.4	2.1	-	1.4	-	5.9
Other persons in the Group Management (8)	12.6	2.7	-	2.9	-	18.2
	17.0	4.8	-	4.6	-	26.4

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 2014 will be disbursed during 2015. Bonus of SEK 2.7 M for the fiscal year 2013 was disbursed to the President and CEO during 2014 (2013: 0.8) and a total of SEK 3.3 M (2013: 1.0) to other senior executives. For information on how the bonus is calculated, see above.

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.

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 that are financed through insurance with Alecta, this is a multi-employer defined benefit plan. For the fiscal year 2014, 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 19.0 M in 2014 (2013:15.0 2012:14.1). Expected fees for the next fiscal year amount to SEK 20.2 M. The group's share of the combined fees to the plan is negligible. At the end of 2014, Alecta's surplus in the form of the collective consolidation level amounted to 144 percent¹⁾ (2013:148, 2012:129). 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.

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.

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 remuneration of senior executives. The recommendations covered the proportions between fixed salary and variable remuneration, 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 2014 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 28, 2014 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, 2014	Dec 31, 2013	Dec 31, 2012
Warranty provision	85.7	73.9	76.6
Of which short-term portion ¹⁾	-35.8	-29.9	-38.6
Web domain, Mexico	-	0.7	1.3
Of which short-term portion ²⁾	-	-0.7	-0.7
	49.9	44.0	38.6

	Group		
	2014	2013	2012
Provisions brought forward	44.0	38.6	25.0
Changes during the year, warranty provision	5.9	6.0	14.3
Changes during the year, web domain, Mexico	0.0	-0.6	-0.7
Provisions carried forward	49.9	44.0	38.6

¹⁾ Refers to the portion which is expected to be settled within one year. The short-term portion of the warranty provision is classified under trade payables and other liabilities. See also Note 22.

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, 2014	Dec 31, 2013	Dec 31, 2012
Trade payables	474.1	439.1	314.3
Other liabilities	44.8	53.0*	34.4
Short-term portion of warranty provision	35.8	29.9	38.6
Social security contributions and other taxes	63.7	61.7	47.3
Accrued expenses	273.8	263.0	184.0
	892.2	846.7	618.6

*SEK 4.2 M was reclassified to deferred tax. See also Note 12.

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, 2014	Dec 31, 2013	Dec 31, 2012
Axis Communications AB	Sweden, Lund	556253-6143	99.9 %*	1,599	0.2	0.3	0.3	0.3
Gren & 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 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
Axis Video Systems India Private Limited	India		0.1 %*	1	0.0	0.0	0.0	0.0
						0.8	0.8	0.8

* The remaining share is owned by other group companies

Note 23 Financial income

	Parent Company		
	2014	2013	2012
Anticipated dividends from subsidiaries	32.9	14.3	42.2
Interest income, internal	0.0	0.3	0.4
Interest income, external	1.4	1.2	0.9
Exchange differences	0.6	0.3	14.5
	34.9	16.1	58.0

Note 24 Financial expenses

	Parent Company		
	2014	2013	2012
Interest expenses, internal	-	-	-
Interest expenses, external	-2.1	-3.0	-6.1
Exchange differences	-35.4	-17.4	-0.9
Other financial expenses	-0.2	-0.1	-0.1
	-37.7	-20.5	-7.1

Note 25 Appropriations

	Parent Company		
	2014	2013	2012
Additional depreciation	-	-0.1	-1.1
Provision to tax allocation reserve	-127.5	-126.7	-124.8
Reversal from tax allocation reserve	-	95.0	-
Group contributions received	606.5	437.4	498.4
Group contributions paid	-0.2	-0.1	-0.2
	478.8	405.5	372.3

Note 26 (continued)

Shares owned by subsidiaries	Registered office	Corporate registration no.	Share of equity
Axis Communications de Argentina SA	Argentina		90 %
Axis Communications Pty Ltd	Australia		100.0 %
Axis Communications Com e Serv Ltda	Brazil		100.0 %
Axis Comunicaciones Chile Limitada	Chile		99.0 %
Axis Communications Colombia SAS	Colombia		100.0 %
Axis Communications Oy	Finland		100.0 %
Axis Communications SA	France		100.0 %
Axis Communications FZE	United Arab Emirates		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 d.o.o. za usluge	Croatia		100.0 %
Axis Communications Video Sdn. Bhd.	Malaysia		100.0 %
Axis LAC S.A. de C.V.	Mexico		100.0 %
Axis Communications BV	Netherlands		100.0 %
Axis Communications Norge AS	Norway		100.0 %
Axis Communications New Zealand Ltd	New Zealand		100.0 %
Axis Communications Poland 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 Communications AB	Sweden, Lund	556253-6143	0.1 %
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		100.0 %
Axis Communications GmbH	Germany		100.0 %
Axis Communications Inc	USA		100.0 %

*The remaining share is owned by Axis AB.

Note 27 Contingent liabilities

	Group			Parent Company		
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Contingent liabilities						
Customs bond	6.0	6.0	6.0	-	-	-
Contingent liabilities on behalf of other group companies	-	-	-	28.5	26.8	26.1
	6.0	6.0	6.0	28.5	26.8	26.1

Note 28 Cash flow from operations

	Group			Parent Company		
	2014	2013	2012	2014	2013	2012
Net profit/loss for the period before financial items	715.4	640.3	574.4	57.5	-11.5	-10.5
Adjusted for:						
– depreciation of property, plant and equipment	49.8	38.4	33.2	-	-	-
– amortization of intangible assets	22.3	17.0	16.8	2.4	2.4	2.4
– other items not affecting cash flow	6.9	2.1	33.6	-	-	-
Change in working capital						
– inventories	-85.5	-100.8	-127.7	-	-	-
– trade receivables and other receivables	-52.9	-119.7	22.4	0.6	-0.6	12.8
– trade payables and other liabilities	49.7	130.4	49.2	5.6	0.3	-0.4
Cash flow from operations	705.7	607.7	601.9	66.1	-9.4	4.3

Note 29 Related parties

All group companies are reported in Note 26 "Participations in subsidiaries". Information about board members and members of the group management and remuneration of these members is reported in Note 20 "Personnel". Apart from the remuneration to board members and the group management that is described in Note 20, no transactions with related parties have taken place. The group has not provided loans, furnished indemnities or issued guarantees for any of the members of the board or other senior executives.

Note 30 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 the 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 March 25, 2015.

Lund, January 29, 2015

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 10, 2015.

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 2014. The company's annual accounts and consolidated financial statements are presented in the printed version of this document on pages 44–68.

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, 2014 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, 2014 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, 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 2014.

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 10, 2015
PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized Public Accountant
Chief Auditor

Multi-year summary

INCOME STATEMENT (SEK M)	2010	2011	2012	2013	2014
Net sales	2,933.0	3,577.6	4,183.5	4,716.8	5,449.7
Cost of goods and services sold	-1,446.7	-1,750.2	-2,080.0	-2,286.6	-2,627.7
Gross profit	1,486.3	1,827.4	2,103.5	2,430.2	2,822.0
Other income and changes in value	-22.3	19.7	-30.0	-8.0	-1.6
Selling and marketing expenses	-553.6	-610.4	-747.5	-864.4	-1,019.6
Administrative expenses	-113.3	-135.8	-171.0	-208.9	-226.7
Research and development expenses	-382.1	-467.6	-579.7	-708.6	-858.7
Operating profit	415.0	633.3	575.3	640.3	715.4
Net financial items	-2.2	-2.3	-6.5	-3.1	-1.5
Profit after financial items	412.8	631.0	568.8	637.2	713.9
Tax on net profit/loss	-113.0	-175.3	-141.5	-158.3	-174.6
Net profit for the year	299.8	455.7	427.3	478.9	539.3

BALANCE SHEET (SEK M)	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014
Non-current assets	141.4	186.7	210.9	270.5	338.3
Inventories	294.2	410.8	536.0	636.8	722.3
Trade receivables	358.8	458.4	391.9	592.0	636.5
Other receivables	56.1	58.7	92.8	105.9	95.0
Cash and cash equivalents	366.3	425.0	464.5	337.7	414.6
Total	1,216.8	1,539.6	1,696.1	1,942.9	2,206.7
Equity	627.2	768.6	809.8	936.9	1,097.1
Non-current liabilities	92.9	101.8	124.6	159.3	187.4
Current liabilities	496.7	669.2	761.7	846.7	922.2
Total	1,216.8	1,539.6	1,696.1	1,942.9	2,206.7

CASH FLOW STATEMENT (SEK M)	2010	2011	2012	2013	2014
Cash flow from operating activities before change in working capital	368.6	573.7	416.7	567.6	689.2
Change in working capital	22.8	-119.4	-56.1	-90.1	-88.7
Cash flow from operating activities	391.4	454.3	360.6	477.5	600.5
Cash flow from investing activities	-51.7	-82.0	-79.1	-117.0	-141.6
Cash flow from financing activities	-275.2	-313.6	-242.0	-487.3	-382.0
Cash flow for the period	64.5	58.7	39.5	-126.8	76.9
Cash and cash equivalents at the start of the period	301.8	366.3	425.0	464.5	337.7
Cash and cash equivalents at the end of the period	366.3	425.0	464.5	337.7	414.6

OPERATING CASH FLOW (SEK M)	2010	2011	2012	2013	2014
Profit after financial items	412.8	631.0	568.8	637.2	713.9
Depreciation/amortization	41.1	36.5	50.0	55.4	72.1
Tax	-85.3	-107.9	-237.4	-128.2	-103.8
Total	368.6	559.6	381.4	564.4	682.2
Change in working capital	22.8	-119.4	-56.1	-90.1	-88.7
Net investment	-51.7	-82.0	-79.1	-117.0	-141.6
Operating cash flow	339.7	358.2	246.2	357.3	451.9

KEY RATIOS	2010	2011	2012	2013	2014
Net sales growth, %	27.5	22.0	16.9	12.7	15.5
Gross margin, %	50.7	51.1	50.3	51.5	51.8
Operating margin, %	14.1	17.7	13.8	13.6	13.1
Profit margin, %	14.1	17.6	13.6	13.5	13.1
Depreciation/amortization, SEK M	41.1	36.5	50.0	55.4	72.1
Equity, SEK M	627	769	810	937	1 097
Capital employed, SEK M	720	870	991	984	1 151
Interest-bearing liabilities, SEK M	-	-	140	-	-
Net debt, SEK M	366	425	325	338	415
Balance sheet total, SEK M	1,217	1,540	1,696	1,943	2,207
Return on capital employed, %	59.2	79.6	61.8	64.8	67.2
Return on total assets, %	35.5	44.9	34.7	35.2	34.6
Return on equity, %	49.3	66.6	53.1	56.9	54.8
Interest coverage ratio, multiple	191.4	276.4	88.5	206.5	224.1
Equity/assets ratio, %	51.5	49.9	47.7	48.2	49.7
Proportion of risk-bearing capital, %	57.7	54.7	52.7	54.2	55.8
Capital turnover ratio, multiple	4.2	4.5	4.5	4.8	5.1
Number of employees (average for the period)	848	1,039	1,278	1,532	1,797
Sales per employee, SEK M	3.5	3.4	3.3	3.1	3.0
Operating profit per employee, SEK M	0.5	0.6	0.5	0.4	0.4
PER-SHARE DATA	2010	2011	2012	2013	2014
Profit after financial items, SEK	5.95	9.08	8.19	9.17	10.28
Cash flow, SEK per share	0.93	0.85	0.57	-1.83	1.11
Equity, SEK per share	9.03	11.07	11.66	13.49	15.79
Share price at end of the period	122.50	138.50	177.50	223.80	199.60
Price/equity, percent per share	1,357	1,252	1,523	1,659	1,264
Dividend paid	4.00	4.50	5.50	5.00	5.50
P/E ratio	28	21	29	32	26
P/S ratio	2.90	2.69	2.95	3.30	2.54
Earnings per share before dilution, SEK	4.32	6.56	6.15	6.89	7.76
Earnings per share after dilution, SEK	4.32	6.56	6.15	6.89	7.76
Number of shares before dilution, average, thousands	69,406	69,461	69,461	69,461	69,461
Average number of shares after dilution, average, thousands	69,406	69,461	69,461	69,461	69,461
Number of outstanding shares (thousands)	69,461	69,461	69,461	69,461	69,461
Average number of shares, (thousands)	69,406	69,461	69,461	69,461	69,461

Quarterly data

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Invoiced sales per product group (SEK M)									
Video	979.8	1,112.8	1,318.8	1,296.6	1,121.2	1,354.0	1,458.3	1,496.2	5,429.7
Other	1.7	1.6	3.6	1.9	7.9	0.7	3.8	7.6	20.0
Total	981.5	1,114.4	1,322.4	1,298.5	1,129.1	1,354.7	1,462.1	1,503.8	5,449.7

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Invoiced sales per region (SEK M)									
EMEA	353.4	362.5	511.1	537.1	401.5	478.7	522.9	596.1	1,999.2
Americas	512.9	617.9	653.0	580.0	591.4	700.4	758.2	692.7	2,742.7
Asia	115.2	134.0	158.3	181.4	136.2	175.6	181.0	215.0	707.8
Total	981.5	1,114.4	1,322.4	1,298.5	1,129.1	1,354.7	1,462.1	1,503.8	5,449.7

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Full year 2014
Income statement (SEK M)									
Net sales	981.5	1,114.4	1,322.4	1,298.5	1,129.1	1,354.7	1,462.1	1,503.8	5,449.7
Gross profit	505.3	568.1	696.2	660.6	569.8	706.9	760.9	784.4	2,822.0
Gross margin, %	51.5	51.0	52.6	50.9	50.5	52.2	52.0	52.2	51.8
Operating profit	89.3	126.5	258.4	166.0	72.1	187.6	256.5	199.2	715.4
Operating margin, %	9.1	11.4	19.5	12.8	6.4	13.8	17.5	13.2	13.1
Profit after financial items	88.1	125.9	257.6	165.5	71.0	186.8	253.2	202.9	713.9

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 2014

Axis' Corporate Governance Report for 2014 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 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 Stockholm's rules and regulations or of best practice in the stock market.

Axis applies the Swedish Code of 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.

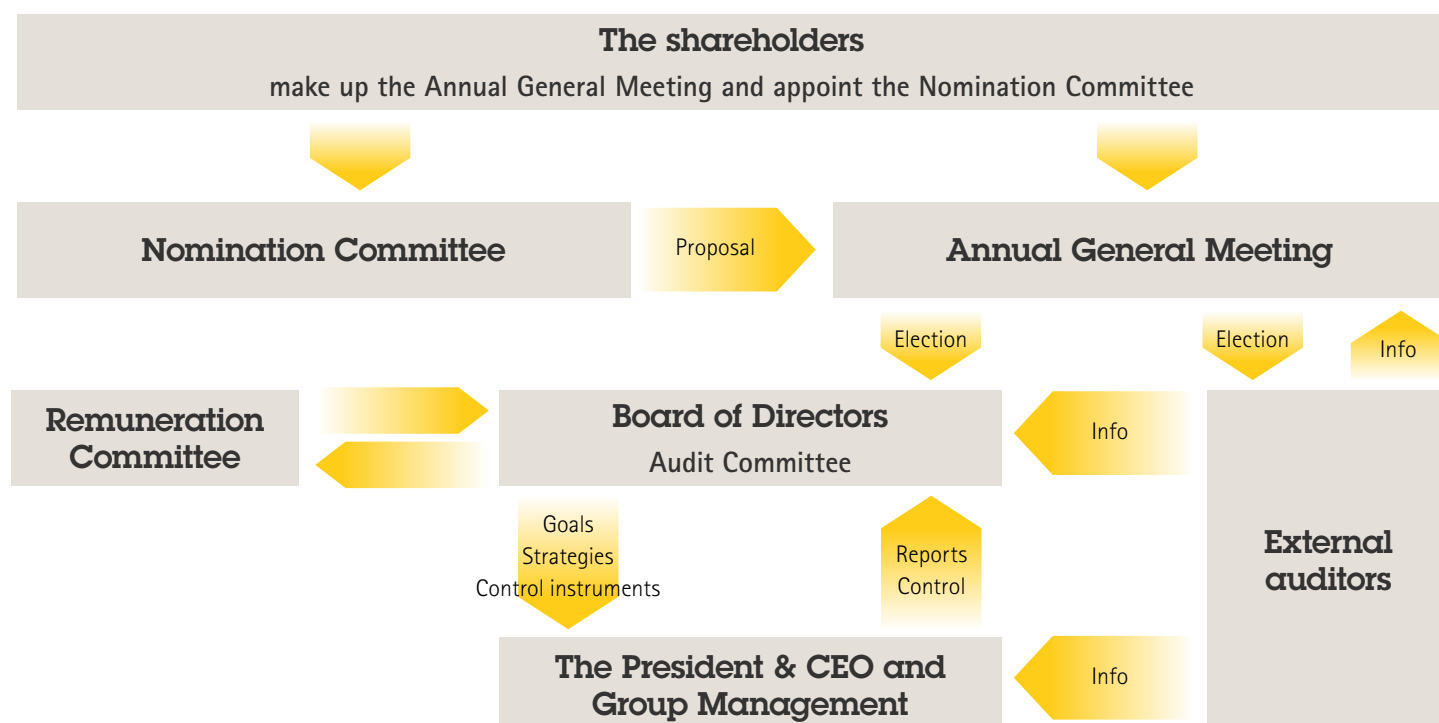
Deviations from the Code

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 21,029 shareholders at the end of 2014 according to the share register maintained by Euroclear Sweden AB. The company's largest owner is Inter Indu AB (14.5 percent of the share capital). Foreign investors' equity interest was 13.5 percent. The ten largest owners had total holdings corresponding to 51.2 percent of the share capital. For additional ownership data see pages 40–41 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, 2014) carry one vote and equal right to share in the company's assets and earnings.

Control model



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. 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.

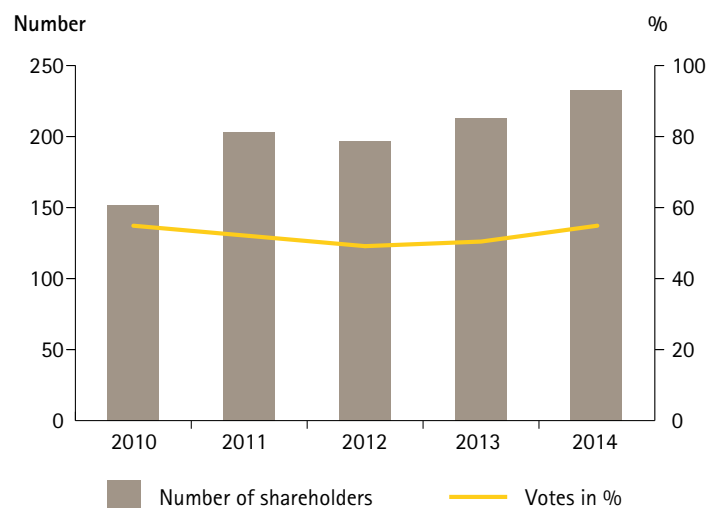
Annual General Meeting

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. Axis' AGM 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 of 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. Apart from the legal requirements concerning the right of shareholders to participate in the AGM, preregistration for the AGM is required under Axis' articles of association within the period specified in the convening notice. When applicable, notification should also be provided if the shareholder intends to take along assistants. Those shareholders who cannot personally attend may be represented 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.

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, via company (LMK Industri AB)	10,000,000	14.40 %
M Gren, via company (AB Grenspecialisten)	7,157,471	10.30 %
Handelsbanken Fonder AB	1,661,769	2.39 %
Tigerschiöld estate	1,277,600	1.84 %
Other	39,207,453	56.45 %
Total	69,461,250	100.00 %

Attendance Annual General meetings 2010–2014



Annual General Meeting, April 28, 2014

The AGM, which was held in Lund on April 28, 2014 resolved as follows:

The AGM resolved in accordance with the nomination committee's proposals, namely

- > to elect six ordinary board members without any deputy board members,
- > to re-elect the board members Gustaf Brandberg, Charlotta Falvin, Martin Gren, Olle Isberg, Göran Jansson and Roland Vejdemo,
- > to re-elect Roland Vejdemo as 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.

Composition of the Nomination Committee

Name	Representing	Shares of votes as of Aug 29, 2014
Christer Brandberg	Inter Indu AB	14,5 %
Therese Karlsson	LMK Industri AB	14,4 %
Martin Gren	AB Grenspecialisten	10,3 %

Nomination Committee 2014

The AGM resolves on how the nomination committee shall be appointed, and at the AGM 2014 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 nomination committee's duties include preparing 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, Sweden, or by phone +46 46 272 18 00.

Board of Directors

During the period between AGMs, 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 28, 2014. The board members Gustaf Brandberg, Charlotta Falvin, Martin Gren, Olle Isberg, Göran Jansson and Roland Vejdemo were re-elected. Roland Vejdemo was re-elected Chairman of the Board. The board of directors thus consists of six members elected by the AGM.

The board members Roland Vejdemo, Charlotta Falvin and Göran Jansson are independent in relation to Axis, the company management and the major shareholders. 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.

Information regarding the remuneration to board members approved by the AGM may be found in the table below and in Note 20, 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 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.

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	9 (9)	1 (1)
Martin Gren	1984	No	-	-	8 (9)	-
Olle Isberg	2006	No	-	Yes	9 (9)	1 (1)
Charlotta Falvin	2006	Yes	250,000	-	9 (9)	-
Göran Jansson	2007	Yes	250,000	-	9 (9)	-
Gustaf Brandberg	2013	No	-	-	9 (9)	-
Kalle Bergdahl (employee representative)	2013	-	-	-	9 (9)	-
Cristian Ionescu-Ildbohrn (employee representative)	2013	-	-	-	5 (9)	-
Petter Östlund (employee representative, deputy) *	2013	-	-	-	4 (9)*	-
Total			1,000,000			

* Petter Östlund resigned from his position in the company as of October 31, 2014

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 2014

During the year, the board closely followed and discussed the company's financial performance through monthly reporting and at each board meeting, received a review of the company's financial situation including sales, costs and earnings.

The board also focused strongly on the strategy for the network video area as well as external factors and competition issues, which change rapidly in the industry. The growth strategy for the Video product area was discussed thoroughly and also how the company should invest in, similar new product areas. An example of this is the company's access control system, which was released during the year. The geographical growth strategy involving investment in emerging markets, particularly in Asia has been another question discussed by the board, as well as development operations, which is a key area for Axis.

In addition, the board received regular reports from the company's various lines of business including about their performance and it continually dealt with questions that have to be considered by the board concerning good governance and control in the company.

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 2014, the board held nine 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 current 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 2014 was composed of Roland Vejdemo (chairman and convenor) and Olle Isberg. The two members of the committee held one meeting during the year.

Audit Committee

Questions relating to internal control and audit are handled by the board in its entirety and therefore 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). 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, Mauritsson held leading positions at TAC (now Schneider Electric). He 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 page 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 twelve recorded meetings and a large number of informal meetings during the year. A special strategy meeting is also held, where areas dealt with include; the long-term innovation and growth agenda, core values and their development, organization and employee development and efficient processes.

Remuneration to the Board, Auditors, 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 28, 2014. 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 28, 2014.

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 28, 2014. The guidelines essentially correspond to the principles that have been applied to date. The objective of Axis AB's remuneration policy for senior executives shall be to offer compensation that helps to recruit skills and expertise and to retain it in the company.

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.

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 2014) and for the other senior executives the highest individual bonus amount shall be maximized at 80 percent of the annual salary (for 2014).

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.

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

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 AGMs (convening notices, minutes, resolutions)
- > Information about the nomination committee
- > Information about principles for remuneration to senior executives
- > The board's evaluation of guidelines for remuneration of variable remuneration programs
- > Report on variable remuneration schemes

Read more about how sustainability issues 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 the following questions;

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

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 2014 fiscal year, the bonus amounts were maximized at 240 percent of an annual salary for the President and CEO and the highest individual amount for the other senior executives was 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 most recent election took place in 2011. The company's auditors are PricewaterhouseCoopers AB, with Ola Bjärehäll as Chief Auditor. 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 report on internal control over financial reporting 2014

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 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 internal control over 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 in 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. Internal control function

Axis' internal control function works on developing, improving and securing the internal control function in the group. This involves proactive efforts focused on the control environment as well as examining how the internal control works in practice.

B. 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. This training aims to increase understanding of Axis' operating procedures and corporate values.

C. Guidelines and policies

Responsibility and authority are defined in the delegation plan adopted by the board, attestation instructions, handbooks as well as 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 and 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 rights and freedoms. 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.

D. Operational control

Axis' management team (group management) consists, in addition to the President and CEO, of the managers of the various central functions in 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 steering groups, committees and project teams, 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 financial reporting are identified at a group and company level, as well as at a regional level. The risk assessment process 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 ensuring efficiency in the group's processes as well as 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, known as 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 in 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 the financial reporting and control as described below, as well as through documented visits by the internal control function. 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.

During 2014, the internal control function made about 10 visits to subsidiaries and to regional offices. The focus has been on ensuring that appropriate documentation exists for the processes that are critical for the financial reporting. Local process documentation has been compared to, and supplemented in relation to, Axis' documented minimum requirements for each process. This work will continue during 2015 with sales processes in focus. Companies that were not visited completed self-assessments.

The internal control function continually reports the result of the performed internal control activities to the CFO, and annually to the board of directors. The board of directors also approves planning for the coming year based on the performed risk inventory and risk analysis.

The company's auditors attend at least two board meetings per year, at which the auditors give their assessment and observations on the business processes, accounts and reporting. The chairman of the board also maintains continuous contact with the auditors.

The controller organisation is continually evaluated 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 and purpose-designed IT systems. The company's financial performance is monitored continuously by the board through comprehensive monthly reporting packages, and through reports by the CFO at all board meetings. Compliance with the company's finance policy is followed up monthly in the reporting package. A high level of transparency in the reporting 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 2014 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 review 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 9, 2015
PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized Public Accountant



Board of Directors and Auditors

1. Roland Vejdemo

Chairman of the Board since 2013

Board member since: 2010

Chairman of: Rebecco Trading AB

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

2. Martin Gren

Board member since: 1984

Chairman of: Aktiebolag Grens specialisten

Board member of: Askero Sagoboks Förlag AB, Eikos Aktiebolag, Grens specialisten 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 Grens specialisten

3. 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

4. Göran Jansson

Board member since: 2007

Chairman of: nWise AB

Board member of: AAGQJA AB, GJS Turn-around AB, SPP Pension & Försäkring AB, SAS AB with three subsidiaries

Education: Master of Business Administration, Stockholm

Work experience: Industriförvaltnings AB Kinnevik, Tele2, Assa Abloy AB

Principal employment: Vice CEO and CFO SAS AB

Shares in Axis: 10,000

5. Charlotta Falvin

Board member since: 2006

Chairman of: Ideon AB

Board member of: Doro AB, Fasiro AB, Invisio Communications 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

6. 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, Uppsala

Work experience: Citerus AB, Tieto Sweden AB

Principal employment: Various directorships

Shares in Axis: 0 *

Employee representatives:

Kalle Bergdahl

Board member since: 2013

Employee representative for IF Metall (ordinary)

Shares in Axis: 0

Cristian Ionescu-Idbohn

Board member since: 2013

Employee representative for SACO (ordinary)

Shares in Axis: 250

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, Tomra
Systems ASA**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 Uppsala University**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:** Master of Science, Chemical engineer-
ing, Lund University and Degree in Journalism, Lund
University**Previous employment:** Netch Technologies,
Nationalencyklopedin**Directorships:** Ortelius AB**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:** JLT Mobile Computers AB**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**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**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)

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.

Financial information 2015

Interim report, January–March: Thursday, April 16

Interim report, January–June: Thursday, July 9

Interim report, January–September: Thursday, October 15

Reports may also be ordered from:

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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 1,900 dedicated employees in more than 40 countries around the world, supported by a network of over 75,000 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

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