

## Interim report January–March 2008

# Focus on expansion of product portfolio and recruitment



- Net sales during the period amounted to SEK 438 M (338).
- Operating profit during the period totaled SEK 69 M (67).
- Profit before tax for the period amounted to SEK 68 M (66).
- Profit after tax for the period totaled SEK 49 M (49).
- Earnings per share for the period amounted to SEK 0.71 (0.71).

## President's comments

The total sales increased to SEK 438 M compared with SEK 338 M during the same period in 2007. During the first quarter, growth for the entire Group amounted to 29 percent and video growth was 32 percent. Video growth amounted to 37 percent in local currency terms.

All regions are displaying continuing growth within the Video product area. Towards the end of the period, however, we could note that certain projects have been deferred. Furthermore, exchange rate differences had a negative impact on sales, particularly within the Americas region.

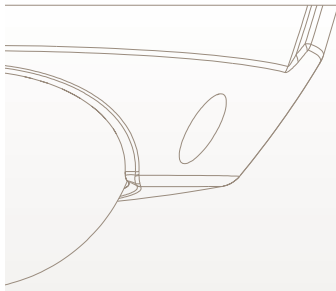
The announcement of Axis' new product generation, built upon the in-house developed ARTPEC-3 chip, signifies the company's strength and continuing ambition to offer the market's broadest portfolio. The expansion has continued during the period, among other ways, through staff recruitment, product development, marketing activities and continued development of the partnership program, which now comprises more than 17,000 partners.

Ray Mauritsson  
*President*

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

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





## Post balance sheet events

On April 2, Axis announced a new generation of network video products built upon the ARTPEC-3 chip, developed by the company. ARTPEC-3 incorporates the H.264 video compression standard which means that more information can be sent and stored with maintained or enhanced image quality. Axis' products from the new product generation were received with great interest at the ISC West fair in Las Vegas, USA, which was held at the start of April. The announced products are the network cameras, AXIS P3301, AXIS P3301-V, the video encoders, AXIS Q7401 and AXIS Q7406 as well as the video management software AXIS Camera Station.

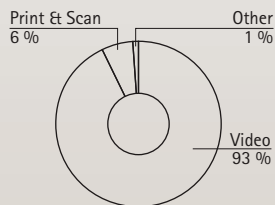
## Sales

Net sales for the period January–March amounted to SEK 438 M (338), an increase of 29 percent compared with the same period of the preceding year. On a comparison with the exchange rates for the first quarter 2007, sales have been affected negatively by SEK 16 M.

Sales within the Video product area totaled SEK 409 M (309) during the first quarter, which corresponds to a sales growth of 32 percent compared with the same period of the preceding year. On translation into local currencies, video growth totaled 37 percent. The Print & Scan product area accounted for 6 percent of the total sales.

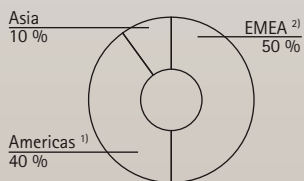
Sales in the EMEA region amounted to SEK 220 M (161), which corresponds to growth of 37 percent. The Asia region recorded sales of SEK 43 M (35), generating growth of 24 percent. A strong development within the Video product area is compensating at present for the continuing decline in OEM sales within the Print product area. Sales in the Americas region totaled SEK 174 M (142), generating growth in local currency of 37 percent and growth of 22 percent in Swedish krona. Sales in the Americas region were adversely affected by the weakening of the US dollar against the Swedish krona and a tendency was noted during the latter part of the period for security installations to be deferred.

### Invoiced sales per product group, Q1 2008



Product area Video represents 93 % of Axis' sales.

### Invoiced sales per region, Q1 2008



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

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

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

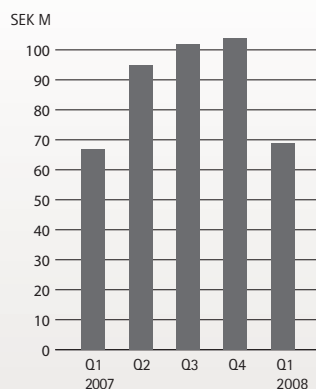
Invoiced sales per product group, SEK M	Q1 2008	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Video	409.5	309.2	368.2	412.7	439.8
Print	13.6	18.7	29.6	15.3	15.4
Scan	12.2	4.6	8.5	9.6	17.7
Other	2.3	5.7	4.0	6.5	5.7
TOTAL	437.5	338.2	410.3	444.2	478.6

Invoiced sales per region, SEK M	Q1 2008	Q1 2007	Q2 2007	Q3 2007	Q4 2007
EMEA	220.5	161.3	181.7	212.3	245.0
Americas	173.8	141.9	179.3	198.2	194.9
Asia	43.3	35.0	49.3	33.8	38.6
TOTAL	437.5	338.2	410.3	444.2	478.6

## Operating profit

The Group's operating profit increased to SEK 69 M (67), which corresponds to an operating margin of 15.7 percent (19.7) for the first quarter. The expenses have increased in connection with a continued high pace of staff recruitment, product development, marketing activities and continued development of the partnership program, among other things. The gross margin continued to be stable and amounted to 55.4 percent (55.1). Profit before

## Operating profit / EBIT



tax rose to SEK 68 M (66) and profit after tax was SEK 47 M (49). Exchange rates had a positive impact on operating profits of 5 MSEK.

Condensed income statement, SEK M	Q1 2008	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Net sales	437.5	338.2	410.3	444.2	478.6
Gross profit	242.5	186.2	230.8	242.1	264.3
<i>Gross margin</i>	<i>55.4 %</i>	<i>55.1 %</i>	<i>56.3 %</i>	<i>54.5 %</i>	<i>55.2 %</i>
Operating profit	68.5	66.6	94.6	102.4	104.4
<i>Operating margin</i>	<i>15.7 %</i>	<i>19.7 %</i>	<i>23.1 %</i>	<i>23.1 %</i>	<i>21.8 %</i>
Pretax profit	68.2	66.4	94.4	102.2	104.3

## Cash flow, investments and financial position

Cash flow from current operations totaled SEK 28 M. Net investments amounted to SEK 15 M. Capitalized development expenses totaled SEK 11 M during the period. Axis had SEK 397 M in cash and cash equivalents as well as unutilized credit facilities of SEK 210 M. Accordingly, the company had a total of SEK 607 M at its disposal at March 31, 2008. The proposed dividend, if approved by the Annual General Meeting, will reduce cash holdings by SEK 312 M.

## Shareholders' equity

Consolidated shareholders' equity amounted to SEK 604 M. The total number of shares in the company at the end of the period was 68,373,700. After full exercise of outstanding warrants, the number of shares totaled 69,530,550. The Group's equity/assets ratio at March 31, 2008 was 64.4 percent.

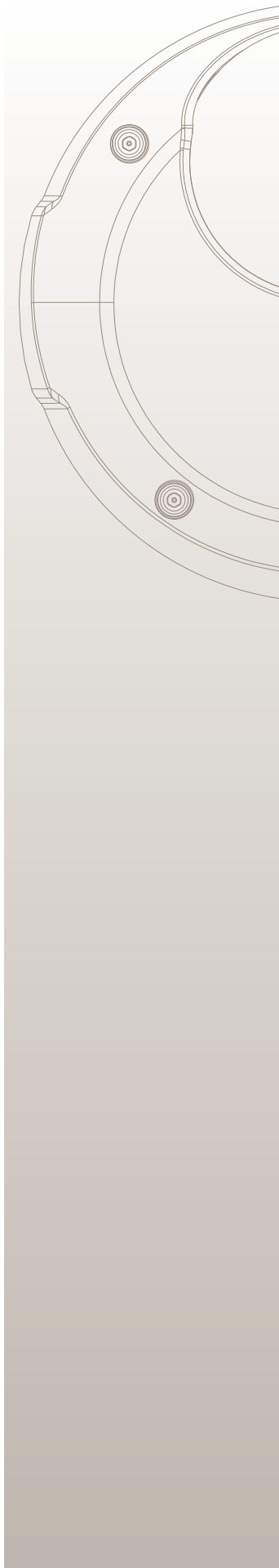
(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan. 1, 2008	0.7	275.0	13.7	262.0	551.5
Translation differences	-	-	3.1	-	3.1
Other adjustments	-	0.1	-	-	0.1
Dividend	-	-	-	-	-
Profit for the period	-	-	-	49.2	49.2
Closing balance at March 31, 2008	0.7	275.1	16.8	311.2	603.9

## Business development

Axis is continuing to expand its product portfolio with a new product generation. A further 36 new employees were added during the period, primarily within the sales organization but also within research & development. The company had 600 employees at March 31.

### Product announcement

On April 2, after the end of the period, Axis announced the company's new generation network video products at ISC West USA, built upon the in-house developed ARTPEC-3 chip. The new product generation incorporates the image compression standard H.264 offering simplified and more cost efficient installation and management of large-scale systems. In addition to the new generation, a number of products were announced, all of which are equipped with the new chip; the network camera AXIS P3301, the video encoders AXIS Q7401, AXIS Q7406 and AXIS Q7900. On the same date, a new version of AXIS



Camera Station was announced which is video management software enabling surveillance and recording with up to 50 cameras. All of Axis' broad product portfolio will gradually be supplemented with new products based on this new platform with H.264 support. The first products are expected to be named in projects to be delivered starting in the latter part of 2008.

### **Successful partnership program**

During the period, Axis has continued its efforts to train the market in the ongoing shift from analog to digital surveillance. Training has been conducted in all regions. At the end of the period, Axis had 17,000 partners in the company's partnership program.

### **Customer installations**

During the period, Axis' network video products were successfully installed within all six customer segments all over the world. Axis announced in February that the company's network cameras will be installed on trains in Norway. To start with, the order consists of approximately 3,200 AXIS 209FD-R and AXIS 221 cameras with potential for additional installations. Axis' network cameras are part of a solution on trains for enhancing security of passengers and personnel. Mounting of the cameras commenced during spring 2008 and is expected to be completed in mid-2010. AXIS 209FD-R will be deployed for surveillance in the railcars and AXIS 221 for views in front and behind the train.

### **Interest throughout the world**

During the first quarter of the year, Axis participated in about 20 fairs throughout the world. The company's products have received attention and were met with great interest in, among other places, Security Show in Tokyo, Intersec Middle East in Dubai, IT-partners in Sweden, Euroshop in Germany, Security and Safety Technologies in Russia and Retail Risk in South Africa.

## **Outlook for 2008**

The market for 2008 continues to look promising. The interest for network video products is considerable and the inflow of new projects is still high.

Despite the fact that the security sector has historically been relatively insensitive to fluctuations in market conditions, the general concern has meant that certain decisions on security installations have been deferred. Currently, it is uncertain how this general financial concern will impact the pace of the technology shift going forward.

Axis' overall goals remain unchanged. The company's objective is to maintain and strengthen the company's position as the market-leading supplier of network video solutions. In order to retain market shares and to meet the increasing competition on the market, Axis will continue to pursue its focused strategy. A strategy that entails introduction of innovative network video products, advancement of partnerships as well as expansion and recruitment.

## The Axis share

The company's share is listed on the OMX Nordic Exchange, Large Cap segment, on the Information Technology list. Share trading during the period January 1 through March 31, 2008 averaged SEK 29 M per day. On average, 245,638 shares per day were traded during the same period. The average share price during the period was SEK 119.65. The total number of shares in the company at the end of the period was 68,373,700.

## Accounting principles

This interim report was prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting. For information on the accounting principles applied, see the 2007 Annual Report. The accounting principles are unchanged, compared with those applied in 2007.

## Risks and uncertainties

Axis' operations are subject to a number of risks and uncertainties, which are described in the 2007 Annual Report. As of March 31, 2008, it is our assessment that no new significant risks or uncertainties have arisen.

## The Parent Company

The Parent Company's operations focus primarily on Group-wide administration. The Parent Company has no employees. Operating profit amounted to SEK -1 M (0). Cash and cash equivalents totaled SEK 280 M (230) and borrowing was SEK 0 M (0).

## Reporting dates

Axis will report on the following dates in 2008:

- Half-year report – Tuesday, July 8
- Interim report, January–September – Friday, October 17

## Annual General Meeting

The Annual General Meeting of Axis AB will be held at Edison Park, Lund, on April 17, 2008 at 5 p.m. The Board of Directors proposes a dividend for fiscal year 2007 of SEK 4.50 (3.00) per share, of which SEK 3.25 (2.25) is an extra dividend in light of the company's strong financial position.

Lund, April 16, 2008

Ray Mauritsson  
*President*

## Consolidated income statement

(SEK M)	Q1 2008	Q1 2007	Full year 2007	Q2 07–Q1 08 12 months
Net sales	437.5	338.2	1 671.3	1 770.6
Cost of sold products and services	-195.0	-152.0	-747.9	-790.9
<b>Gross profit</b>	<b>242.5</b>	<b>186.2</b>	<b>923.4</b>	<b>979.7</b>
Other revenues and changes in value	3.8	5.9	7.2	5.2
Selling and marketing costs	-94.5	-66.1	-307.5	-335.8
Administrative costs	-19.9	-16.3	-61.7	-65.2
Research and development costs	-63.5	-43.0	-193.4	-213.9
<b>Operating profit *</b>	<b>68.5</b>	<b>66.6</b>	<b>368.1</b>	<b>370.0</b>
Financial expenses	-0.4	-0.2	-0.7	-0.8
<b>Pretax profit</b>	<b>68.2</b>	<b>66.4</b>	<b>367.4</b>	<b>369.2</b>
Tax	-19.0	-16.9	-108.6	-110.6
<b>Net profit for the period</b>	<b>49.2</b>	<b>49.4</b>	<b>258.8</b>	<b>258.5</b>
Earnings per share before dilution, SEK	0.71	0.71	3.73	3.73
Earnings per share after dilution, SEK	0.71	0.71	3.73	3.72
Average number of shares before dilution, thousands	69 340	69 274	69 315	69 340
Average number of shares after dilution, thousands	69 450	69 416	69 426	69 450

\* The net effect of hedging and change in currency against underlying receivables and liabilities in foreign currency has not significantly affected earnings.

## Cash-flow statement

(SEK M)	Q1 2008	Q1 2007	Full year 2007	Q2 07–Q1 08 12 months
Cash flow from operating activities before change in working capital	55.2	41.4	308.3	322.1
Change in working capital	-27.6	-11.9	-5.6	-21.3
Cash flow from operating activities	27.7	29.6	302.7	300.8
Cash flow from investment activities	-14.9	-7.5	-27.6	-34.9
Cash flow from financing activities	0.1	0.7	-204.5	-205.1
<b>Cash flow for the period</b>	<b>12.8</b>	<b>22.7</b>	<b>70.7</b>	<b>60.8</b>
Cash and cash equivalents, beginning of period	384.1	313.5	313.5	336.2
Cash and cash equivalents, end of period	396.9	336.2	384.1	396.9

## Consolidated balance sheet

(SEK M)	March 31, 2008	March 31, 2007	Dec 31, 2007
Fixed assets	95.4	89.3	91.0
Inventories	180.1	167.0	166.1
Accounts receivable and other receivables	265.7	199.6	273.2
Cash and cash equivalents	396.9	336.2	384.1
<b>Total</b>	<b>938.1</b>	<b>792.1</b>	<b>914.4</b>
Shareholders' equity	603.9	546.9	551.5
Long-term liabilities	11.6	10.8	40.1
Current liabilities	322.7	234.4	322.8
<b>Total</b>	<b>938.1</b>	<b>792.1</b>	<b>914.4</b>

## Key figures

	Q1 2008	Q1 2007	Full year 2007
Net sales growth (%)	29.4	31.5	39.0
Gross margin (%)	55.4	55.1	55.2
Operating margin (%)	15.7	19.7	22.0
Profit margin (%)	15.6	19.6	22.0
Depreciation/amortization (SEK M) *	29	20	22
Shareholders' equity (SEK M)	604	547	551
Capital employed (SEK M)	721	558	592
Interest-bearing liabilities (SEK 000s)	6	6	6
Net interest-bearing liabilities (SEK 000s)	-333	-325	-390
Total assets (SEK M)	938	792	913
Return on capital employed (%) *	56.4	46.9	66.4
Return on total capital *	40.0	31.8	43.2
Return on equity (SEK M) *	46.0	34.5	50.3
Interest-coverage ratio (times) *	437.9	286.4	517.0
Net debt/equity ratio (times)	-0.6	-0.6	-0.7
Equity/assets ratio (%)	64.4	69.0	60.4
Share of risk-bearing capital (%)	70.0	71.5	63.5
Capital turnover ratio (times)	2.7	2.5	3.0
Number of employees (average for the period)	589	466	507
Sales per employee (SEK M)	3.0	2.8	3.3
Operating profit per employee (SEK M)	0.6	0.5	0.7

\* The key figures have been recalculated to full-year values.

## Per-share data

	March 31, 2008	March 31, 2007	Dec 31, 2007
Share price at end of period, SEK	118.50	122.50	159.00
Dividend, SEK	4.50	3.00	3.00
P/E multiple	42	43	43
Earnings per share before dilution, SEK	0.71	0.71	3.73
Earnings per share after dilution, SEK	0.71	0.71	3.73
Average number of shares before dilution, thousands	69 340	69 274	69 315
Average number of shares after dilution, thousands	69 450	69 416	69 426
Number of shares outstanding (thousand)	69 374	69 278	69 372

## Quarterly data

Invoiced sales per product group (SEK 000s)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2005	2005	2005	2006	2006	2006	2006	2007	2007	2007	2007	2008
Video	183.1	198.4	220.8	219.6	249.3	268.7	324.1	309.2	368.2	412.7	439.8	409.5
Print	36.2	29.8	30.4	27.9	24.2	20.9	22.3	18.7	29.6	15.3	15.4	13.6
Scan	2.3	2.4	4.3	4.1	6.2	6.9	9.7	4.6	8.5	9.6	17.7	12.2
Other	4.4	4.1	4.0	5.5	3.4	4.8	4.9	5.7	4.0	6.5	5.7	2.3
TOTAL	226.1	234.7	259.4	257.1	283.1	301.3	361.0	338.2	410.3	444.2	478.6	437.5

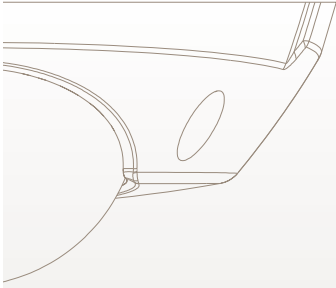
Invoiced sales per region (SEK 000s)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	2005	2005	2005	2006	2006	2006	2006	2007	2007	2007	2007	2008
EMEA	104.2	96.5	129.2	115.9	134.4	139.5	191.6	161.3	181.7	212.3	245.0	220.5
Americas	84.2	100.3	99.7	108.6	117.2	129.4	129.9	141.9	179.3	198.2	194.9	173.8
Asia	37.7	37.9	30.6	32.6	31.4	32.4	39.5	35.0	49.3	33.8	38.6	43.3
TOTAL	226.1	234.7	259.4	257.1	283.1	301.3	361.0	338.2	410.3	444.2	478.6	437.5

## Parent Company income statement

(SEK M)	Q1 2008	Q1 2007
Net sales	6.1	2.8
Gross profit	6.1	2.8
Administrative costs	-6.7	-3.1
Operating profit	-0.6	-0.4
Financial income	46.5	3.8
Financial expenses	-3.4	-13.7
Profit before tax	42.5	-10.2
Tax	-11.9	-
Net profit for the period	30.6	-10.2

## Parent Company balance sheet

(SEK M)	March 31, 2008	March 31, 2007
Fixed assets	2.3	2.3
Receivables from Group companies	324.3	288.3
Accounts receivable and other receivables	8.2	3.5
Cash and cash equivalents	280.4	229.7
Total	615.2	523.9
Shareholders' equity	501.5	494.7
Untaxed reserves	108.9	24.1
Tax liabilities	2.4	-
Current liabilities	2.4	5.1
Total	615.2	523.9



## Review report

We have reviewed this report for the period January 1, 2008 to March 31, 2008 for Axis AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the *Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Standards on Auditing in Sweden, RS*, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Lund, April 16, 2008  
Öhrlings PricewaterhouseCoopers AB

Bertil Johanson  
*Authorised Public Accountant*  
*Auditor in charge*

## Analyst and media meeting

Axis will hold a teleconference for media and financial analysts today.

Time: Wednesday, April 16, 2008 at 10 a.m.

Phone number: +46 (0) 8 50 52 01 14

Specify: Axis Communications

Participants from Axis AB will be:

Ray Mauritsson, President and Fredrik Sjöstrand, CFO.

A recorded version of the teleconference will be available for seven business days on +46 (0)8 50 52 03 33, specify: 790 098

Or contact:

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Manager, Investor Relations & Corporate Communications

Phone: +46 (0)46 272 18 00

