

## Year-end report 2008

# Weak growth ended 2008



- Net sales for the year amounted to SEK 1,975 M (1,671), and to SEK 500 M (479) for the fourth quarter.
- Operating profit for the year totaled SEK 341 M (368), and SEK 49 M (104) for the fourth quarter.
- Profit before tax for the year amounted to SEK 340 M (367), and to SEK 49 M (104) for the fourth quarter.
- Profit after tax for the year totaled SEK 252 M (259), and SEK 45 M (67) for the fourth quarter.
- Earnings per share for the year amounted to SEK 3.64 (3.73), and to SEK 0.65 (0.97) for the fourth quarter.
- The Board of Directors proposes an unchanged ordinary dividend of SEK 1.25 (1.25 ordinary dividend and an extra dividend of 3.25)

## President's comments

Net sales in 2008 were SEK 1,975 M (1,671), corresponding to annual growth of 18 percent. SEK 1,885 M was attributable to the Video product area, corresponding to growth of 23 percent within Axis' focus area.

The current financial turmoil has in certain cases meant that decisions on security installations have been deferred. The market is difficult to forecast in the near-term and we are currently seeing lower activity on the global network video market.

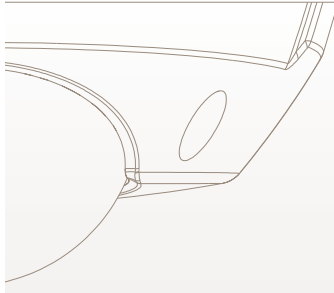
In the long-term, we continue to see great growth potential for network video products. Axis continues to offer innovative competitive products and is well-represented globally through a local presence with a large number of partners.

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 offices in more than 20 countries and cooperating with partners in more than 70 countries. Founded in 1984, Axis is listed on the NASDAQ OMX, under the ticker AXIS. For more information about Axis, please visit our web site at [www.axis.com](http://www.axis.com).*





## Sales

### Full-year 2008

Axis' net sales during 2008 totaled SEK 1,975 M (1,671), an increase of 18 percent compared with the year-earlier period. SEK 1,885 M (1,530) was attributable to the Video product area, corresponding to growth of 23 percent. Exchange rate differences had a negative impact on sales of SEK 2 M (-88).

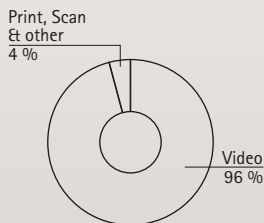
In 2008, Axis reported sales growth in all three regions. The EMEA region reported sales of SEK 947 M (800), generating growth of 18 percent. The Americas region presented full-year sales of SEK 853 M (714), corresponding to growth of 19 percent. The Asia region reported sales of SEK 175 M (157), corresponding to growth of 12 percent.

### The fourth quarter

Net sales during the fourth quarter totaled SEK 500 M (479), corresponding to growth of 5 percent compared with the same quarter of the preceding year. The Video product area recorded sales of SEK 480 M (439), generating growth of 9 percent. The product area accounted for 96 percent of Axis' total sales in the fourth quarter. Sales in the Print product area (including Scan and Other) amounted to SEK 20 M (38) during the period and only account for 4 percent of the sales.

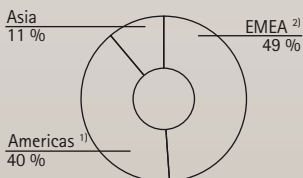
The EMEA region reported sales of SEK 243 M (245), the Americas region reported sales of SEK 203 M (195) and the Asia region reported sales of SEK 54 M (38). The current weak market conditions have particularly impacted sales in EMEA and Americas. The Asia region presented growth of 39 percent.

### Invoiced sales per product group, Q4 2008



Product area Video represents 96 % of Axis' sales.

### Invoiced sales per region, Q4 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	Q4 2008	Q4 2007	2008	2007
Video	480.4	439.8	1 885.2	1 529.8
Print	10.8	15.4	47.0	79.1
Scan	7.5	17.7	32.9	40.4
Other	1.7	5.7	9.7	21.9
TOTAL	500.5	478.6	1 974.8	1 671.3

Invoiced sales per region, SEK M	Q4 2008	Q4 2007	2008	2007
EMEA	243.2	245.0	947.4	800.3
Americas	203.6	194.9	852.5	714.3
Asia	53.7	38.6	174.9	156.7
TOTAL	500.5	478.6	1 974.8	1 671.3

## Operating profit

### Full-year 2008

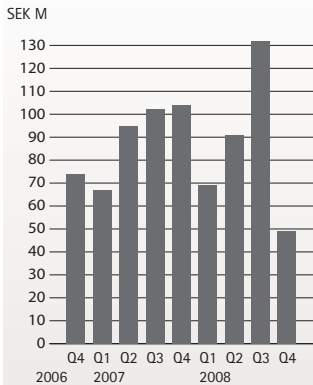
Operating profit for the year totaled SEK 341 M (368), corresponding to an operating margin of 17.2 percent (22.0). The gross margin amounted to 55.0 percent (55.2).

Profit before tax sank to SEK 340 M (367) and profit after tax totaled SEK 252 M (259). Exchange rate differences have not had a significant impact on earnings.

### The fourth quarter

Operating profit in the fourth quarter amounted to SEK 49 M (104), corresponding to an operating margin of 9.9 percent (21.8). Overhead expenses increased significantly during the fourth quarter by approximately SEK 10 M, which was related to the weakening of the Swedish krona. In addition, recruitment and expansion continued as planned within research and development as well as within sales and marketing.

## Operating profit / EBIT



The gross margin amounted to 53.8 percent (55.2) in the fourth quarter. Profit before tax totaled SEK 49 M (104). Profit after tax amounted to SEK 45 M (67).

Condensed income statement, SEK M	Q4 2008	Q4 2007	2008	2007
Net sales	500.5	478.6	1 974.8	1 671.3
Gross profit	269.2	264.3	1 087.1	923.4
<i>Gross margin</i>	<i>53.8 %</i>	<i>55.2 %</i>	<i>55.0 %</i>	<i>55.2 %</i>
Operating profit	49.4	104.4	340.6	368.1
<i>Operating margin</i>	<i>9.9 %</i>	<i>21.8 %</i>	<i>17.2 %</i>	<i>22.0 %</i>
Pretax profit	49.2	104.3	339.8	367.4

## Cash flow, investments and financial position

Cash flow from current operations amounted to SEK 202 M (303). Net investments totaled SEK 53 M (28), of which capitalized development expenses totaled SEK 26 M (15). Cash flow from current operations amounted to SEK -28 M (88) during the fourth quarter, which was principally explained by stockbuilding, large preliminary tax payments and lower operating profit. At year-end, Axis had SEK 213 M (384) in cash and cash equivalents, as well as unutilized credit facilities of SEK 200 M (210). Accordingly, the company had a total of SEK 413 M at its disposal at December 31, 2008.

## Shareholders' equity

Consolidated shareholders' equity amounted to SEK 441 M (551). The total number of shares in the company at the end of the period was 69,373,700 (69,372,200). After full exercise of outstanding warrants, the number of shares totaled 69,530,550. The Group's equity/assets ratio at December 31, 2008 was 51.3 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	-	-	-50.5	-	-50.5
Other adjustments	0.0	-	-	-	0.0
Dividend	-	-	-	-312.2	-312.2
Profit for the period	-	-	-	252.4	252.4
Closing balance at Dec 31, 2008	0.7	275.0	-36.8	202.2	441.1

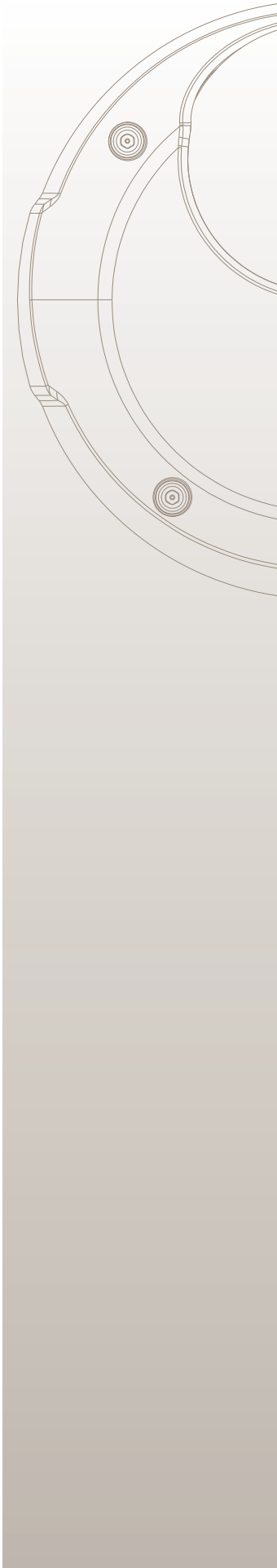
## Significant events during the fourth quarter

### Long-term interest in network video

IMS Research's report "The World Market for CCTV & Video Surveillance Equipment", which was published in October, estimates Axis' global market share for network cameras at 33.5 percent (an increase from 32.0 percent last year). Axis has consequently strengthened its market leading position. The 2008 edition of the IMS Research report is based on information derived from sales statistics in 2007. Within the security cameras category, including analog and network cameras, Axis is ranked number three in the world, compared to number four in the previous report. Axis remains the undisputed market leader in the network cameras category and is increasing the gap to other competitors by capturing market share.

### Continued successful product launches

Axis continued to successfully launch products during the period featuring the new internally developed ARTPEC -3 platform.



AXIS Q1755 is a network camera which delivers video of HDTV quality and is installed in environments with high specification requirements for image quality, for example, passport control police, casinos and airports.

AXIS M10 is a series of network cameras that are suited for installations in stores, restaurants and hotels. The cameras are small, smart network cameras, which are easy to install. AXIS M1031-W is equipped with speakers as well as a microphone, allowing the operator to call for attention if something unexpected happens.

The AXIS P3301 network camera received the Detektor International Award during the period for best video surveillance product. AXIS P3301 won the prize for providing the clear answer to what the surveillance market was asking for, with features including an unparalleled image quality.

#### **ONVIF – Axis, Bosch and Sony cooperate around new standard**

Axis, Bosch Security Systems and Sony Corporation initiated cooperation during the year in order to create ONVIF, an open forum for development of an interface standard for network video products. A number of well-reputed suppliers joined the standardization initiative during the period, including Hikvision, Panasonic Corporation System Solutions Company, Cieffe S.p.A (a March Networks Company), Digital Technology and IndigoVision Ltd. This will lead to installations of network video products becoming more cost-effective and flexible, and will accelerate the technology shift.

## **Outlook for 2009**

The market is difficult to assess at present and generally lower activity is being seen on the security market, which also impacts the growth rate for network video. We see a continuing long-term interest for network video products in security installations, which means that Axis' goals remain unchanged.

The company's goal is to continue strengthening its position as the market leading supplier of network video solutions. To achieve the goals and meet the increasing competition, Axis will continue its focused strategy which involves the introduction of innovative network video products as well as advancing partnerships, which provide a local presence worldwide.

## **The Axis share**

The company's share is listed on NASDAQ OMX, on the Mid Cap segment, under the ticker AXIS. The total volume of Axis shares traded during 2008 was 56,497,372 shares, corresponding to an average daily trading volume of 224,196 shares, to a value of SEK 20.8 M per day. Share trading took place on all trading days. The turnover rate during the year was 81 percent. The average share price during the year was SEK 90.67. The total number of shares in the company at year-end was 69,373,700.

## **Nominating committee**

Axis' nominating committee is composed of representatives from the three largest shareholders; Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu S.P.R.L) and Martin Gren (AB Grenspecialisten). Christer Brandberg is Chairman and Convenor. Proposals and viewpoints from shareholders concerning the composition of the Board of Directors may be

submitted in writing to the following address: Axis AB, Attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, or by phone on +46 (0) 46 272 18 00.

## 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 Annual Report for 2007. 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 stated in the Annual Report for 2007. As of December 31, it is our assessment that no new significant risks or uncertainties have arisen, apart from the current financial turmoil.

## The Parent Company

The Parent Company's operations focus primarily on Group-wide administration. The Parent Company has no employees. Sales totaled SEK 24 M (14). Operating profit amounted to SEK -3 M (-3). Cash and cash equivalents totaled SEK 133 M (297) and borrowing was SEK 0 M (0). No investments have taken place during the year.

## Reporting dates

Axis will report on the following dates in 2009.

- Interim report, January–March – Tuesday, April 21
- Half-year report – Wednesday, July 8
- Interim report, January–September – Friday, October 16

## Annual General Meeting

The Annual General Meeting of Axis AB will be held at Edison Park, Lund, on April 22, 2009 at 5 p.m. The Annual Report for 2008 will be available on the company's web site from the middle of March.

## Dividend

The Board of Directors proposes an unchanged dividend of SEK 1.25 (1.25 ordinary dividend and 3.25 extra dividend), which is in accordance with the company's policy. Axis' dividend policy is to issue a dividend amounting to approximately one third of the profit for the year after tax, taking the Group's target equity/asset ratio into consideration.

The company's unappropriated earnings amounted to SEK 275 M at December 31, 2008. The Board anticipates a continued positive trend during the 2009 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.

Lund, February 4, 2009

*The Board of Directors, Axis AB and the President*

## Consolidated income statement

(SEK M)	Q4 2008	Q4 2007	2008	2007
Net sales	500.5	478.6	1 974.8	1 671.3
Cost of sold products and services	-231.3	-214.3	-887.7	-747.9
<b>Gross profit</b>	<b>269.2</b>	<b>264.3</b>	<b>1 087.1</b>	<b>923.4</b>
Other revenues and changes in value	-3.8	3.6	8.8	7.2
Selling and marketing costs	-117.7	-85.4	-403.8	-307.5
Administrative costs	-22.6	-16.9	-82.9	-61.7
Research and development costs	-75.7	-61.2	-268.6	-193.4
<b>Operating profit *</b>	<b>49.4</b>	<b>104.4</b>	<b>340.6</b>	<b>368.1</b>
Financial expenses	-0.2	-0.1	-0.8	-0.7
<b>Pretax profit</b>	<b>49.2</b>	<b>104.3</b>	<b>339.8</b>	<b>367.4</b>
Tax	-4.1	-37.0	-87.4	-108.6
<b>Net profit for the period</b>	<b>45.1</b>	<b>67.3</b>	<b>252.4</b>	<b>258.8</b>
Earnings per share before dilution, SEK	0.65	0.97	3.64	3.73
Earnings per share after dilution, SEK	0.65	0.97	3.63	3.73
Average number of shares before dilution, thousands	69 374	69 372	69 374	69 315
Average number of shares after dilution, thousands	69 452	69 484	69 452	69 426

\* Net effects of hedging and exchange rates differences in underlying receivables and liabilities denominated in foreign currency have not significantly impacted operating profit during the full-year 2008.

## Cash-flow statement

(SEK M)	Q4 2008	Q4 2007	2008	2007
Cash flow from operating activities before change in working capital	7.5 *	91.0	244.3	308.3
Change in working capital	-35.1	-3.8	-41.9	-5.6
Cash flow from operating activities	-27.6	87.2	202.4	302.7
Cash flow from investment activities	-15.5	-9.9	-55.3	-27.6
Cash flow from financing activities	-	1.2	-317.8	-204.5
<b>Cash flow for the period</b>	<b>-43.1</b>	<b>78.5</b>	<b>-170.7</b>	<b>70.6</b>
Cash and cash equivalents, beginning of period	256.5	305.6	384.1	313.5
Cash and cash equivalents, end of period	213.4	384.1	213.4	384.1

\* The item includes preliminary tax payments of SEK 28 M.

## Consolidated balance sheet

(SEK M)	Dec 31, 2008	Dec 31, 2007
Fixed assets	105.8	91.0
Inventories	248.7	166.1
Accounts receivable and other receivables	291.4	272.1
Cash and cash equivalents	213.4	384.1
<b>Total</b>	<b>859.3</b>	<b>913.3</b>
Shareholders' equity	441.1	551.5
Long-term liabilities	30.8	40.1
Current liabilities	387.4	321.7
<b>Total</b>	<b>859.3</b>	<b>913.3</b>

## Key figures

	Q4 2008	Q4 2007	2008	2007
Net sales growth (%)	4.6	32.6	18.2	39.0
Gross margin (%)	53.8	55.2	55.0	55.2
Operating margin (%)	9.9	21.8	17.2	22.0
Profit margin (%)	9.8	21.8	17.2	22.0
Depreciation/amortization (SEK M) *	40.6	22.0	40.6	22.0
Shareholders' equity (SEK M)	441	551	441	551
Capital employed (SEK M)	472	592	472	592
Interest-bearing liabilities (SEK 000s)	-	6	-	6
Net interest-bearing liabilities (SEK 000s)	-213	-390	-213	-390
Total assets (SEK M)	859	913	859	913
Return on capital employed (%) *	64.1	66.4	64.1	66.4
Return on total capital *	38.4	43.2	38.4	43.2
Return on equity (SEK M) *	49.3	50.3	49.3	50.3
Interest-coverage ratio (times) *	411.9	517.0	411.9	517.0
Net debt/equity ratio (times)	-0.5	-0.7	-0.5	-0.7
Equity/assets ratio (%)	51.3	60.4	51.3	60.4
Share of risk-bearing capital (%)	54.0	63.5	54.0	63.5
Capital turnover ratio (times)	3.7	3.0	3.7	3.0
Number of employees (average for the period)	705	552	663	507
Sales per employee (SEK M)	2.8	3.5	3.0	3.3
Operating profit per employee (SEK M)	0.5	0.8	0.5	0.7

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

## Per-share data

	Dec 31, 2008	Dec 31, 2007
Share price at end of period, SEK	57.50	159.00
Dividend, SEK	4.50	3.00
P/E multiple	16	43
Earnings per share before dilution, SEK	3.64	3.73
Earnings per share after dilution, SEK	3.63	3.73
Average number of shares before dilution, thousands	69 374	69 315
Average number of shares after dilution, thousands	69 452	69 426
Number of shares outstanding (thousand)	69 374	69 372

## Quarterly data

Invoiced sales per product group (SEK M)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Video	219.6	249.3	268.7	324.1	309.2	368.2	412.7	439.8	409.5	472.9	522.4	480.4
Print	27.9	24.2	20.9	22.3	18.7	29.6	15.3	15.4	13.6	12.0	10.6	10.8
Scan	4.1	6.2	6.9	9.7	4.6	8.5	9.6	17.7	12.2	5.9	7.3	7.5
Other	5.5	3.4	4.8	4.9	5.7	4.0	6.5	5.7	2.3	3.0	2.8	1.7
TOTAL	257.1	283.1	301.3	361.0	338.2	410.3	444.2	478.6	437.5	493.8	543.0	500.5

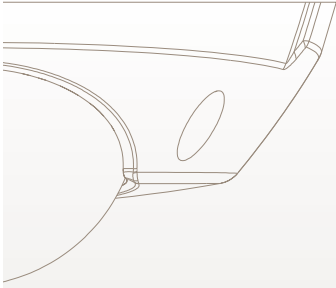
Invoiced sales per region (SEK M)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
EMEA	115.9	134.4	139.5	191.6	161.3	181.7	212.3	245.0	220.5	249.0	234.7	243.2
Americas	108.6	117.2	129.4	129.9	141.9	179.3	198.2	194.9	173.8	211.7	263.4	203.6
Asia	32.6	31.4	32.4	39.5	35.0	49.3	33.8	38.6	43.3	33.1	44.9	53.7
TOTAL	257.1	283.1	301.3	361.0	338.2	410.3	444.2	478.6	437.5	493.8	543.0	500.5

### Parent Company income statement

(SEK M)	2008	2007
Net sales	23.6	13.9
<b>Gross profit</b>	<b>23.6</b>	<b>13.9</b>
Administrative costs	-26.3	-16.6
<b>Operating profit</b>	<b>-2.7</b>	<b>-2.7</b>
Result from participations in Group companies	351.4	318.0
Financial income	30.3	30.8
Financial expenses	-133.1	-22.9
<b>Pretax profit</b>	<b>245.9</b>	<b>323.3</b>
Change in tax allocation reserve	-78.5	-84.7
Tax	-50.4	-67.9
<b>Net profit for the period</b>	<b>116.9</b>	<b>170.7</b>

### Parent Company balance sheet

(SEK M)	Dec 31, 2008	Dec 31, 2007
Fixed assets	2.3	2.3
Receivables from Group companies	364.6	631.6
Accounts receivable and other receivables	0.4	0.4
Tax receivables	32.0	1.7
Cash and cash equivalents	132.5	296.7
<b>Total</b>	<b>531.8</b>	<b>932.7</b>
Shareholders' equity	275.7	470.9
Untaxed reserves	187.4	108.9
Tax liabilities	0.8	322.8
Current liabilities	67.9	30.2
<b>Total</b>	<b>531.8</b>	<b>932.7</b>



## Review report

We have reviewed this report for the year 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, February 4, 2009

Öhrlings PricewaterhouseCoopers AB

Bertil Johanson

*Authorised Public Accountant*

*Auditor in charge*

## For more information

Axis will hold a teleconference for media and financial analysts today, February 4 at 10 a.m.

A presentation is available on

[http://www.axis.com/corporate/investor/interim\\_report.htm](http://www.axis.com/corporate/investor/interim_report.htm)

Time: Wednesday, February 4 at 10 a.m.

Phone number: +46 (0)8 5052 0110

Specify: Axis Communications.

Or contact:

Margareta Lantz

Manager, Investor Relations & Corporate Communications

Tel: +46 (0)46 272 18 00

