

# Interim report January–March 2011



- Net sales amounted to SEK 808 M (643) M, corresponding to growth of 26 percent. Net sales increased by 39 percent in local currencies.
- Operating profit increased to SEK 126 M (95), which corresponds to an operating margin of 15.6 percent (14.8).
- Profit after tax amounted to SEK 91 M (69).
- Earnings per share amounted to SEK 1.31 (1.00).

## Strong sales trend in all regions

Our strong sales trend at the end of last year continued during the beginning of 2011 when we saw a stable trend in demand for our network video products in all regions. In our view, the weak investment climate in Southern Europe is essentially the only factor which is affecting the growth rate negatively in Region EMEA. At the same time, the strong Swedish krona in relation to USD and EUR has impacted our sales negatively. Adjusted for foreign currency effects, sales increased by 39 percent during the quarter.

The AXIS M50 Series featuring compact and good-value pan/tilt/zoom network cameras was an important product release during the first quarter. These products are further supplements to our very strong product line of high-quality PTZ network cameras. The AXIS M50 Series will strengthen our offer of network solutions, particularly towards the important retail market.

We maintained a very high rate of recruitment during the first quarter. The number of employees increased by 69 during the period. The recruitments during the first quarter were mainly concerned with strengthening the global sales organization.



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).*





## Events during the first quarter

### Network video products were installed in all customer segments

During the quarter, Axis' network video products were installed within all identified customer segments in the group's regions. The customer segments which displayed greatest interest for the products were transport, city surveillance and retail.

### Strengthened patent portfolio

Through an acquisition of a patent portfolio "Internet Camera Portfolio" from Hoya/Pentax, the patent portfolio within network video was strengthened by about twenty patents, including within network communication and image transfer. As global market leader within network video this addition to the patent portfolio is a natural step in the patent strategy.

### New, innovative products were released

Axis is continuing to develop and broaden the product portfolio with high quality and innovative products. A number of new network cameras were released during the quarter e.g. the AXIS M50 PTZ Dome Series. The AXIS M50 Series comprises a number of network cameras offering discreet 360 degree HDTV quality surveillance and which contribute to improving security in stores, banks, hotels, offices, restaurants and warehouses.

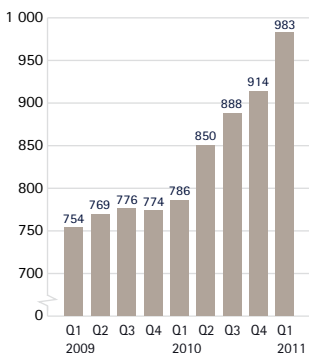
### Risk of component shortages due to the events in Japan

There are several suppliers of camera-specific components such as lenses and sensors in Japan. Apart from these subcontractors, there are also a large number of suppliers which, directly or indirectly, will affect access to general electronics components. The Japanese disaster did not have any significant effects on Axis' sales or availability of components during the first quarter. It is difficult to judge today how business may be affected in the coming quarters, but it will probably imply some supply disruptions due to component shortages.

### Continued global expansion

A cornerstone of Axis' strategy is to increase the global presence through recruitment and new establishment. Axis recruited at a very high rate at the beginning of the year. The recruitments during the first quarter were mainly concerned with strengthening the global sales organization. Axis had 983 employees (786) at the end of the period.

Number of employees



## Events after the end of the period

### The trade fair period has begun

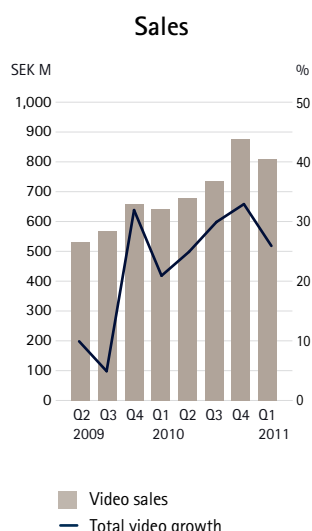
ISC West, an important security trade fair in Las Vegas, US, opened at the start of April. Axis released a number of new products during the fair, such as the AXIS Q6035/-E network camera, which attracted considerable attention amongst participants at the fair. A number of partners presented video surveillance solutions at the fair based on Axis Video Hosting System (AVHS).

## Comments on the income statement and balance sheet

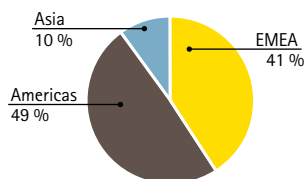
### Net sales

A strong trend was noted in all markets during the quarter. Net sales for the period January–March totaled SEK 808 M (643), an increase of 26 percent in Swedish kronor and 39 percent in local currency compared with the same period of the preceding year. Foreign currency effects, primarily from USD and EUR, impacted sales negatively during the period by SEK 85 M compared with the corresponding period last year.

Sales in the EMEA region amounted to SEK 332 M (291) for the quarter, corresponding to growth of 14 percent. Growth in local currency totaled 28 percent. Sales in the Americas region amounted to SEK 395 M (285) during the first quarter, corresponding to growth of 38 percent. Growth in local currency totaled 53 percent. The Asia region reported sales of SEK 82 M (66), corresponding to growth of 23 percent. Growth in local currency totaled 25 percent.



### Invoiced sales per region, Q1 2011

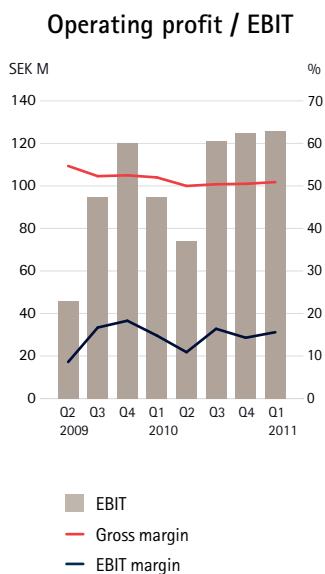


Invoiced sales per product group, SEK M	Q1 2011	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Video	797.6	633.1	665.0	722.1	869.0
Other	10.7	9.5	13.3	14.7	6.3
<b>TOTAL</b>	<b>808.3</b>	<b>642.6</b>	<b>678.3</b>	<b>736.8</b>	<b>875.3</b>

Invoiced sales per region, SEK M	Q1 2011	Q1 2010	Q2 2010	Q3 2010	Q4 2010
EMEA	332.2	291.0	265.2	300.0	403.4
Americas	394.6	285.2	347.6	360.3	379.9
Asia	81.5	66.4	65.5	76.5	92.0
<b>TOTAL</b>	<b>808.3</b>	<b>642.6</b>	<b>678.3</b>	<b>736.8</b>	<b>875.3</b>

### Operating profit

Operating profit for the period totaled SEK 126 M (95), corresponding to an operating margin of 15.6 percent (14.8). The strong operating profit was due to a continued stable gross margin of 50.9 percent (52.0), a relatively lower cost level on account of the fact that a number of major marketing activities which usually take place in the first quarter will instead now occur during the second quarter, and positive foreign currency effects in comparison with the preceding quarter. Profit after tax amounted to SEK 91 M (69). Changes in foreign exchange rates had a negative impact of SEK 45 M on operating profit compared with the corresponding period last year.



Condensed income statement, SEK M	Q1 2011	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Net sales	808.3	642.6	678.3	736.8	875.3
Gross profit	411.5	333.8	339.2	371.0	442.3
<i>Gross margin</i>	<i>50.9 %</i>	<i>52.0 %</i>	<i>50.0 %</i>	<i>50.4 %</i>	<i>50.5 %</i>
Operating profit	126.2	95.2	74.0	120.5	125.3
<i>Operating margin</i>	<i>15.6 %</i>	<i>14.8 %</i>	<i>10.9 %</i>	<i>16.4 %</i>	<i>14.3 %</i>
Pretax profit	125.9	94.9	73.5	119.8	124.7

### Cash flow, investments and financial position

The cash flow from operating activities for the period amounted to SEK –39 M (35). Net investments totaled SEK 28 M (10), of which capitalized development costs amounted to SEK 6 M (4). The remainder was accounted for by investments in IT infrastructure, patents as well as equipment and fittings in connection with office expansions. Axis had SEK 299 M (324) in cash and cash equivalents at the end of the period, as well as unutilized credit facilities of SEK 200 M (200). Accordingly, the company had a total of SEK 499 M (524) at its disposal at March 31, 2011.

## Shareholders' equity

Consolidated equity amounted to SEK 713 M (685) at the end of the quarter. The total number of shares at the end of the period was 69,461,250 (69,377,00). Axis has no outstanding stock option programs. The group's equity/assets ratio at March 31, 2011 was 52 percent (54.4).

(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan 1, 2010	0.7	275.0	-0.6	333.3	608.4
Total comprehensive income for the period			7.4	69.3	76.7
Closing balance at March 31, 2010	0.7	275.0	6.8	402.6	685.1
Opening balance at Jan 1, 2011	0.7	279.2	-8.3	355.6	627.2
Total comprehensive income for the period		-0.3	-4.7	91.1	86.1
Closing balance at March 31, 2011	0.7	278.9	-13.0	446.7	713.3

## The parent company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. Sales totaled SEK 2.1 M (1.5). Operating profit amounted to SEK -1.7 M (-0.7). Cash and cash equivalents totaled SEK 104.2 M (168.2) and borrowing was SEK 0 M (0). No investments have taken place during the period.

## Outlook

2011 has started off with a stable trend in sales and demand compared with the immediately preceding quarter. Axis and external market research institutions estimate the annual growth potential of the network video market to be 25–30 percent in the next few years. There is a good basis for a continued positive development within network video in line with the expected annual growth potential. At the same time, the events in Japan imply a risk for supply disruptions over the coming quarters due to possible component shortages.

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 during the coming year, as well as refine and broaden the large existing partner network, recruit more personnel, expand the company and establish a global presence.

## Other

### Risks and uncertainties

Axis' operations are subject to a number of risks and uncertainties, which are described in the 2010 Annual Report. Apart from the risk mentioned above, it is our assessment that no new significant risks or uncertainties have arisen as of March 31.

### Accounting policies

This interim report is prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. For information regarding the accounting policies applied, see the 2010 Annual Report. The accounting policies are unchanged, compared with those applied in 2010.





### **The Axis share**

The company's share is listed on the OMX Nordic Exchange, Stockholm AB on the Mid Cap segment, under the ticker AXIS. Axis' share had a turnover of 8,690,597 shares during the period which gave an average turnover of 137,946 shares per trading day, at a value of SEK 18 M. The average price of the share during the period was SEK 101.31.

### **Reporting dates**

Axis will report on the following dates during the 2011 fiscal year:

> Interim report, January–June: Friday, July 8

> Interim report, January–September: Thursday, October 20

The year-end report will be released in February 2012.

### **Annual General Meeting**

The annual general meeting will be held on April 14, at 5 p.m. in Edison Park in Lund. The board of directors proposes a dividend of SEK 4.50 (4.00), of which SEK 3.00 (2.75) constitutes an extra dividend.

Lund, April 13, 2011

Ray Mauritsson

*Verkställande direktör*

For further information please contact:

Ray Mauritsson, President

Fredrik Sjöstrand, CFO

Margareta Lantz, Manager, Investor Relations & Corporate Communications

Phone: +46 708 90 18 92

## **Analyst & Press Conference**

Axis will hold a teleconference for the media and financial analysts today. A presentation is available on <http://www.axis.com/corporate/investor/index.php>

Time: April 13 at 10.00 a.m.

Phone number: +46 8 50 52 01 10

Specify Axis Communications.

Or contact:

Margareta Lantz

Manager, Investor Relations & Corporate Communications

Phone: +46 708 90 18 92

Axis discloses the information provided herein pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. This information was submitted for publication on April 13 at 8.00 a.m.

## Review report

We have conducted a review of the interim report for Axis AB (publ) for the period January 1 to March 31, 2011. The board of directors and the president are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim financial information based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements (SÖG) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and 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 a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as an opinion expressed based on an audit.

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

Lund, April 13, 2011

Öhrlings PricewaterhouseCoopers AB

Bertil Johanson

*Authorized Public Accountant*

*Auditor in charge*

## Consolidated income statement

(SEK M)	Q1 2011	Q1 2010	Full year 2010	Q2 10–Q1 11 12 months
Net sales	808.3	642.5	2 933.0	3,098.8
Cost of sold products and services	-396.8	-308.8	-1 446.7	-1,534.8
<b>Gross profit</b>	<b>411.5</b>	<b>333.8</b>	<b>1 486.3</b>	<b>1,564.1</b>
Other revenues and changes in value	-14.6	-4.2	-22.3	-32.7
Selling and marketing costs	-131.0	-123.0	-553.6	-561.6
Administrative costs	-33.3	-27.6	-113.3	-119.0
Research and development costs	-106.4	-83.8	-382.1	-404.7
<b>Operating profit *</b>	<b>126.2</b>	<b>95.2</b>	<b>415.0</b>	<b>446.0</b>
Financial expenses	-0.3	-0.3	-2.2	-2.2
<b>Pretax profit</b>	<b>125.9</b>	<b>94.9</b>	<b>412.8</b>	<b>443.8</b>
Tax	-34.8	-25.6	-113.0	-122.2
<b>Net profit for the period</b>	<b>91.1</b>	<b>69.3</b>	<b>299.8</b>	<b>321.6</b>
<b>Other comprehensive income</b>				
Cash flow hedges	-	9.4	1.2	-8.2
Hedging of net investments	-	0.3	0.3	0.0
Exchange rate differences	-5.0	0.3	-8.8	-14.1
Tax attributable to components in other comprehensive income	-	-2.6	-0.4	2.2
<b>Other comprehensive income for the period, net after tax</b>	<b>-5.0</b>	<b>7.4</b>	<b>-7.7</b>	<b>-20.1</b>
<b>Net profit for the period</b>	<b>86.1</b>	<b>76.7</b>	<b>292.1</b>	<b>301.5</b>
Total comprehensive income attributable to: The Parent Company's shareholders	86.1	76.7	292.1	301.5
Earnings per share before dilution, SEK	1.31	1.00	4.32	4.63
Earnings per share after dilution, SEK	1.31	1.00	4.32	4.63
Average number of shares before dilution, thousands	69,461	69,377	69,406	69,461
Average number of shares after dilution, thousands	69,461	69,440	69,406	69,461

\* Net effects of hedging and changes in exchange rates in underlying liabilities and receivables denominated in foreign currencies have impacted operating profit negatively by SEK 15 M (-5).

## Cash-flow statements

(SEK M)	Q1 2011	Q1 2010	Full year 2010	Q2 10–Q1 11 12 months
Cash flow from operating activities before change in working capital	92.3	68.5	368.6	392.4
Change in working capital	-131.5	-33.9	22.8	-74.8
Cash flow from operating activities	-39.2	34.6	391.4	317.6
Cash flow from investment activities	-28.4	-9.7	-51.7	-70.4
Cash flow from financing activities	0.1	-2.3	-275.2	-272.8
<b>Cash flow for the period</b>	<b>-67.5</b>	<b>22.6</b>	<b>64.5</b>	<b>-25.6</b>
Cash and cash equivalents, beginning of period	366.3	301.8	301.8	324.4
Cash and cash equivalents, end of period	298.7	324.4	366.3	298.7

## Consolidated balance sheet

(SEK M)	March 31, 2011	March 31, 2010	Dec 31, 2010
Fixed assets	163.6	127.0	141.4
Inventories	347.6	303.8	294.2
Trade receivables	469.5	394.8	420.9
Other receivables	91.9	109.4	56.2
Cash and cash equivalents	298.7	324.4	366.3
<b>Total</b>	<b>1,371.3</b>	<b>1,259.4</b>	<b>1,278.9</b>
Shareholders' equity	713.3	685.1	627.2
Long-term liabilities	130.2	76.0	92.9
Payables	269.1	211.9	235.3
Current liabilities	258.8	286.3	323.5
<b>Total</b>	<b>1,371.3</b>	<b>1,259.4</b>	<b>1,278.9</b>

## Key figures

	Q1 2011	Q1 2010	Full year 2010
Net sales growth (%)	25.8	20.9	27.5
Gross margin (%)	50.9	52.0	50.7
Operating margin (%)	15.6	14.8	14.1
Profit margin (%)	15.6	14.8	14.1
Depreciation/amortization (SEK M) *	38.8	39.2	41.1
Shareholders' equity (SEK M)	713	685	627
Capital employed (SEK M)	843	761	720
Net debt (SEK M) **	299	324	366
Total assets (SEK M)	1371	1259	1279
Return on capital employed (%) *	57.0	49.9	59.2
Return on total capital *	33.7	30.0	34.6
Return on equity (SEK M) *	48.8	40.5	49.3
Interest-coverage ratio (times) *	202.7	237.9	191.4
Equity/assets ratio (%)	52.0	54.4	49.0
Share of risk-bearing capital (%)	60.0	60.6	54.9
Capital turnover ratio (times)	1.0	0.9	4.2
Number of employees (average for the period)	963	784	848
Sales per employee (SEK M) *	3.2	3.1	3.5
Operating profit per employee (SEK M) *	0.5	0.5	0.5

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

\*\* Refers to net interest-bearing receivables and liabilities.

## Per-share data

	March 31, 2011	March 31, 2010	Dec 31, 2010
Share price at end of period, SEK	133.50	107.25	122.50
Dividend, SEK	4.50*	4.00	4.00
P/E multiple	25	27	28
Earnings per share before dilution, SEK	1.31	1.00	4.32
Earnings per share after dilution, SEK	1.31	1.00	4.32
Average number of shares before dilution, thousands	69,461	69,377	69,406
Average number of shares after dilution, thousands	69,461	69,400	69,406
Number of shares outstanding (thousand)	69,461	69,377	69,461

\* Proposed dividend

## Quarterly data

Invoiced sales per product group (SEK M)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Video	472.9	522.4	480.4	509.7	531.3	558.1	645.8	633.1	665.0	722.1	869.0	797.6
Other	20.9	20.6	20.1	21.9	10.9	9.9	13.0	9.5	13.3	14.7	6.3	10.7
<b>TOTAL</b>	<b>493.9</b>	<b>543.0</b>	<b>500.5</b>	<b>531.6</b>	<b>542.2</b>	<b>568.0</b>	<b>658.8</b>	<b>642.6</b>	<b>678.3</b>	<b>736.8</b>	<b>875.3</b>	<b>808.3</b>

Invoiced sales per region (SEK M)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
EMEA	249.0	234.7	243.2	223.0	222.5	235.6	319.9	291.0	265.2	300.0	403.4	332.2
Americas	211.7	263.4	203.6	259.2	277.8	281.6	266.8	285.2	347.6	360.3	379.9	394.6
Asia	33.1	44.9	53.7	49.4	41.9	50.8	72.1	66.4	65.5	76.5	92.0	81.5
<b>TOTAL</b>	<b>493.8</b>	<b>543.0</b>	<b>500.5</b>	<b>531.6</b>	<b>542.2</b>	<b>568.0</b>	<b>658.8</b>	<b>642.6</b>	<b>678.3</b>	<b>736.8</b>	<b>875.3</b>	<b>808.3</b>

	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Net sales growth (%)	20.4 %	22.2 %	4.6 %	21.5 %	9.8 %	4.6 %	31.6 %	20.9 %	25.1 %	29.7 %	32.9 %	25.8 %
Gross margin (SEK M)	277.6	297.8	269.2	296.7	296.7	297.0	345.8	333.8	339.2	371.0	442.3	411.5
Gross margin (%)	56.2 %	54.8 %	53.8 %	55.8 %	54.7 %	52.3 %	52.5 %	52.0 %	50.0 %	50.4 %	50.5 %	50.9 %
Operating margin (SEK M)	91.6	131.1	49.4	46.4	46.4	94.6	120.6	95.2	74.0	120.5	125.3	126.2
Operating margin (%)	18.6 %	24.3 %	9.9 %	8.7 %	8.6 %	16.7 %	18.3 %	14.8 %	10.9 %	16.4 %	14.3 %	15.6 %

## Parent Company income statement

(SEK M)	Q1 2011	Q1 2010	Full year 2010
Net sales	2.1	1.5	8.1
Gross profit	2.1	1.5	8.1
Administrative costs	-3.8	-2.2	-11.6
Operating profit	-1.7	-0.7	-3.5
Result from participations in Group companies	-	-	327.2
Financial income	5.6	21.1	66.9
Financial expenses	-0.7	-10.3	-22.3
Pretax profit	3.1	10.1	368.2
Change in tax allocation reserve	-	-	-92.8
Tax	-0.8	-2.7	-74.0
Net profit for the period	2.3	7.4	201.4

## Parent Company balance sheet

(SEK M)	March 31, 2011	March 31, 2010	Dec 31, 2010
Fixed assets	16.7	2.3	2.3
Receivables from Group companies	548.9	488.8	525.6
Accounts receivable and other receivables	1.0	1.9	0.8
Tax receivables	9.7	7.4	0.0
Cash and cash equivalents	104.2	168.2	174.9
<b>Total</b>	<b>680.6</b>	<b>668.6</b>	<b>703.6</b>
Shareholders' equity	322.0	399.1	319.7
Untaxed reserves	356.4	263.6	356.4
Tax liabilities	1.0	1.0	1.0
Current liabilities	1.2	4.9	26.6
<b>Total</b>	<b>680.6</b>	<b>668.6</b>	<b>703.6</b>