



Annual report 2009



AXIS[®]
COMMUNICATIONS

Axis is an IT company, and the market leader in network video, offering innovative professional network video solutions for security surveillance and remote monitoring providing public safety and security.

Axis in

Axis products in the world

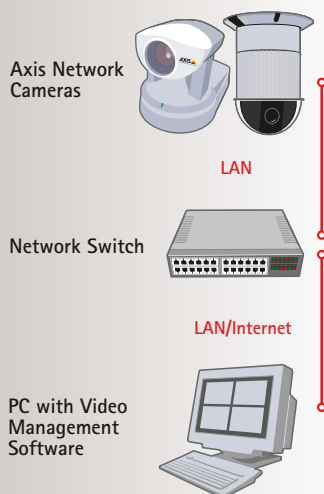
Axis network video products are installed in public places and areas such as retail chains, airports, trains, motorways, universities, prisons, casinos and banks.



2009:

Major installations of Axis network products were carried out during the year on trains in Sydney, in schools in the US and Portugal, in shopping centers in Ireland and in hotels in England.

Focus on network video



The Axis share

Axis' share is listed on NASDAQ OMX Nordic under the ticker AXIS. The number of shareholders at year-end was 17,571 (17,503).

More information about Axis may be found at www.axis.com

Sales 2009:

SEK 2,301 M

Axis – a global company

Axis is a Swedish-based company, operating worldwide with offices in about 20 countries and cooperating with partners in more than 70 countries.

2009:

The global expansion continued and the number of employees increased to 774 (716).



774

employees

5 minutes



Axis product portfolio

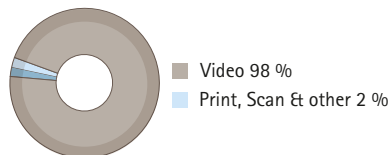
Axis was the first company in the world to launch a network camera in 1996, initiating the shift from analog to digital technology. The majority of Axis' sales are generated by the Video product area; network cameras, video encoders, accessories and application software.



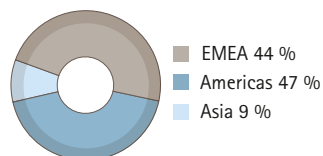
2009:

Approximately twenty network video products were successfully launched during the year, including the H.264 compression standard as well as network cameras delivering HDTV-quality video.

Invoicing per product group, 2009



Invoicing per region, 2009



Axis' business model provides a local presence

Axis products reach the market via a two-stage model; from distributors mainly via integrators to end customers.

2009:

The partnership program was advanced further and Axis had more than 30,000 partners at year-end.

Axis 25 years

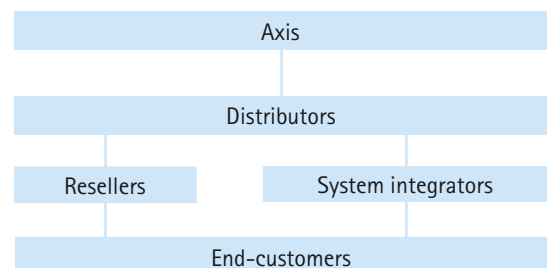
Axis was founded in 1984 and has successfully developed and marketed network products during the past 25 years.



Ray Mauritsson receiving the award for Export Company of the Year

2009:

Axis maintains its position as market leader for network cameras with a market share of 31.2 percent according to the market research institute IMS. Axis received a number of awards during the year such as the Export Company of the Year and the Grand Award of Design. Martin Gren, one of Axis' founders, received the award Ernst & Young Entrepreneur of the Year.



The year in brief

- > Sales totaled SEK 2,301 M (1,975), corresponding to growth of 17 percent.
- > Operating profit amounted to SEK 308 M (341).
- > Profit after tax amounted to SEK 218 M (252).

Events during the quarters 2009

Q1 In March, a configuration and logistics center (CLC) was established in Atlanta, Georgia, US. Martin Gren, one of Axis' founders, accepted the Ernst & Young Entrepreneur of the Year award and represented Sweden in the international competition.

Q2 At the start of May, Axis received awards including the Export Company of the Year and the Grand Award of Design. Axis announced that Chippewa Valley in the American State of Michigan decided to install Axis network cameras in order to increase security in a cost effective way. More than 600 network cameras and video encoders from Axis were installed in the different public and secondary schools in the district during spring 2009.

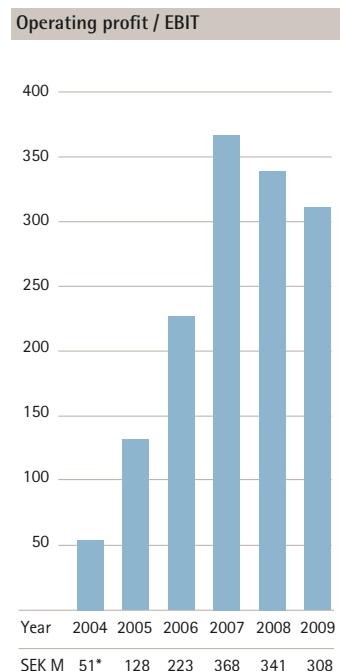
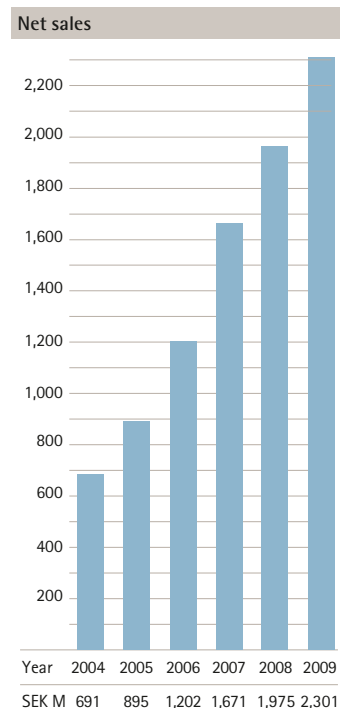
Q3 According to IMS Research* Axis maintained its strong market-leading position for network cameras and further improved its position in the category – global vendors providing video surveillance equipment. Axis announced that the current situation regarding supply of components could impact the product supply during the coming half-year.

Q4 Axis announced that 7,000 AXIS 209FD-R network cameras will be installed on trains in Sydney, Australia. The installation commenced during 2009 and will be carried out over a three to four year period. Axis announced that the company's network video cameras will play a key role in a large-scale security installation in schools in Portugal. More than 12,000 network cameras shall be installed in order to provide increased security to public schools in a cost effective manner. The installation commenced in August 2009 and is expected to continue during 2010.

* The 2009 edition of the report "The world market for CCTV & Video Surveillance Equipment".

Key ratios		
The Group, SEK M (unless otherwise stated)	2009	2008
Net sales	2,301	1,975
Operating profit	308	341
Profit before tax	307	340
Profit after tax	218	252
Earnings per share, SEK	3.14	3.64
Cash and cash equivalents at end of period	302	213
Dividend, SEK	4.00*	1.25

* The board of director's proposal



* The figures for 2004 are adjusted according to IFRS

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Stable trend during a year of uncertainty

The start of 2009 coincided with a period of great uncertainty when most assessments of the market trend were very negative. In this perspective, I can state that 2009 was a really good year for Axis with continued market leadership within network video, and sales that increased to SEK 2,301 million.

I can also state that our established strategy of strengthening our partnerships, developing and marketing innovative network video products and exporting on a global market are factors that enabled Axis to perform well despite the prevailing market climate.

Strong sales quarter-over-quarter

We had a very high rate of expansion when the global financial crisis struck in earnest at the end of 2008. The uncertain market outlook forced us to focus on and plan according to a shorter time horizon. The rapid adjustment to a weaker market trend combined with close collaboration with our partners contributed to the gradual improvement in sales in each quarter during the year. This meant that we could close the year with growth of 17 percent and an operating margin which reached 13.4 percent, notwithstanding the weak market.

Growth within all regions

Axis reports sales divided into three regions EMEA, Americas and Asia. The EMEA and Americas regions reported sales of SEK 1,001 million (947) and SEK 1,085 million (853) respectively. The Asia region displayed a good sales trend, although from slightly lower levels, with sales of SEK 214 million (175). We continued to establish a local presence during the year using the existing offices as a basis. In South America, local offices were established in Argentina and Colombia; in the Asia region, offices were opened in Thailand, Australia, Malaysia as well as India. We established a new configuration and logistics center in Atlanta, Georgia, US, to further improve the supply of products to the American market. This will serve to strengthen Axis' presence and will deliver enhanced service to our customers.

Advanced positions

During the year, the leading market research company IMS Research presented a report* showing that Axis retained its strong market-leading position for network cameras, with three times greater market share than our nearest competitor. At the same time, it is gratifying that they could also state in the report that we advanced our position within the category – global vendors providing video surveillance equipment. Axis was ranked as the world's fourth largest vendor providing video surveillance equipment compared with sixth place last year, which demonstrates the increasing interest for digital surveillance products in professional installations.

Strong interest in customer segments

Axis advanced its well-established sales model during the year by adding new partners and deepening the cooperation with existing partners. Demand for network video products is continually increasing and Axis products are specified in different solutions in order to enhance the security or improve the business processes of end customers all over the world. Interest has been especially strong for security installations within the transportation sector, public surveillance and in schools. We have met continued interest in the retail sector, first and foremost for optimizing business processes where cameras are employed, among other ways, to measure customer flows in stores and during inventory management. However, we can state that the customers' scope for carrying out large-scale investments has been limited due to the global financial climate.

Open platforms create customer benefits

ONVIF is an international organization driving the development of a global standard for the application

"Sales improved gradually in each quarter during the year"

* IMS Research report "The World Market for CCTV & Video Surveillance Equipment", 2009

interface in network products. The standardization is of benefit to customers and means that they can easily install network video products or expand an installation irrespective of the brand. As one of the three initiators of the organization, it is very gratifying for Axis that it has grown during the year to embrace over 100 member companies. In September, Axis launched its first network camera supporting the ONVIF standard and several other members announced ONVIF-compatible products during the year.

Technologies broadening the portfolio

Our focus on HDTV as a quality standard for network video cameras has turned out well. HDTV has made it easier for us and our system integrators to explain the differences in image quality to the end customers. It has been important to make clear that it is not just the resolution in number of megapixels that determines the video quality and the usability of the recorded material. In addition, the H.264 compression standard became widely established within many customer segments during 2009, offering easier and more cost effective installations and the possibility of handling larger systems. All in all, our continued investment in product development resulted in a large number of new products with higher performance and enhanced image quality, enabling an increase in intelligent embedded functions.



Good development potential

Since Axis was founded 25 years ago, the company has completed many phases of development and established a global position within areas focused on networks. Axis offers products which promote safety and security in society. We operate on a market which is at the early stages of a technology shift from analog to digital. Many successes have been achieved, but the rapid development within the area is creating new fields of application for our products on a market still dominated by analog installations. These factors mean that we see a continued strong growth potential for network video products.

Continued global expansion

Our goal is to continue strengthening our position as the market-leading provider of network video solutions and to reinforce our position as a global supplier of video surveillance equipment. The market we focus on was estimated by the market research institute IMS to be worth USD 8,230 million in 2008 and is expected to grow to USD 13,301 million by 2013.

To achieve the goals and meet increasing competition, Axis will continue to pursue its focused strategy which involves the introduction of innovative network video products as well as advancing our partnerships.

We will also maintain the same high release rate during 2010 as many new innovative products will be introduced. We have already launched an entirely new type of camera from the start of 2010 based on heat-sensitive sensors, called thermal cameras. This type of thermal camera is expected to become an excellent complement in many video surveillance applications.

We will continue our expansion on the global market through partners as well as by opening offices. Recruitment will take place within research and development as well as sales, in order to strengthen our organization and be competitive on the expansive market. To be global but act locally with skilled employees is one of the success factors for the coming years.

By way of conclusion, my gratitude to all employees and partners who have helped to continue driving the market towards network video solutions, with Axis as the clear market leader.

Ray Mauritsson
President

Axis' operations and goals

Axis is an IT company offering network video solutions that provide safety and security in society. Axis is global market leader within network video and offers high quality and innovative products. The products are used for security surveillance and remote monitoring, but also in installations in order to streamline customers' business processes.

The customers are found within many areas, but Axis has chosen to focus on a number of customer segments: the transportation sector, retail, education, government, banks, public surveillance, health care and industry.

Overall financial goals

The basis for a long-term increase in shareholder value shall be created through growth, continued good profitability and a stable financial base.

Axis' overall long-term financial goals are;

- > total average annual growth of at least 20 percent
- > a profit margin of at least 10 percent
- > an equity/assets ratio in excess of 50 percent.

Axis also has an overall goal of strengthening its market-leading position on the network video market.

2009: Axis was ranked fourth in the world during the year in the category – vendors providing video surveillance equipment, compared with sixth place last year*.



Financial goal fulfilment 2009

Goal	Outcome 2009	Comment
Total average annual growth of at least 20 percent	Growth was 17 percent. Average growth 2005–2009 was 24.3 percent.	The interest in Axis' products remained high, but the customers' opportunities to invest were not as favorable as before.
Profit margin of at least 10 percent	The profit margin was 13 percent.	
An equity/assets ratio in excess of 50 percent.	The equity/assets ratio totaled 54 percent.	



Overall strategy

In order to retain Axis' market-leading position, the strategy is to:

- > continually advance the sales model through dedicated cooperation with partners such as distributors, system integrators, resellers and application developers (Application Development Partners, ADPs),
- > develop and market a broad and innovative product portfolio featuring high quality network video products and continually offer the latest technology within the network video area,
- > expand the operations through local presence on a global market.

* IMS Research report "The World Market for CCTV & Video Surveillance Equipment", 2009

Goal fulfilment 2009

Close collaboration with partners

Axis works according to a sales model based on distributors as well as close collaboration with system integrators and resellers who meet the end customers. The strategy for increasing market presence further, involves close collaboration in order to boost global presence in a cost efficient manner.

Strategy	2009
Axis shall continue to advance the cooperation with local partners as well as globally strategic partners in order to spread knowledge of the commercial benefits of network video.	Axis has advanced the collaboration with strategic partners and has continually improved the work with partners on a local basis. The number of partners has expanded, particularly in Asia, while a clearer focus has been placed on partnerships already established within the Americas and EMEA regions. The number of partners worldwide totaled more than 30,000 at year-end.
Axis shall focus on developing business within different customer segments such as the transportation sector, retail, education, banks, public surveillance, health care and industry.	During the year, installations including Axis products were carried out within all customer segments. The customers that displayed greatest interest are found, above all, within the transportation sector, education and public surveillance.
Axis shall continue its efforts to drive the ongoing shift from analog to network video solutions, through product development, training of partners and marketing operations, among other ways.	Approximately 3,600 partners received training during the year within the framework of Axis Academy in all regions. An e-learning module has been produced for a number of network video products in order to spread knowledge and reach more customers. During the year, Axis successfully participated in more than 70 major trade fairs and in a large number of local activities worldwide.

Innovative player with a focused product portfolio

As leader within network video, Axis develops and markets innovative network video products of high quality and offers the market's broadest product portfolio.

Strategy	2009
Axis shall maintain a competitive release rate within the Video product area and offer new products and solutions designed for professional installations within the security sector and for streamlining business processes. Axis' network video solutions shall be scalable, flexible, cost efficient and intelligent and deliver enhanced flexibility and high performance.	Axis has launched approximately twenty innovative products. Focus has also been placed on network cameras for outdoor use which are easy and cost effective to install, which function with high quality in demanding weather conditions and deliver high image quality in an effective manner.
Axis' Video product portfolio shall be supplemented with software applications, in order to offer the customers effective standardized video applications and remote monitoring systems.	Axis has introduced the Open Application Platform which enables partners to integrate customized software in the cameras and align the product's functionality to specific fields of application. Axis is continuing the collaboration with selected partners for application development (Application Development Partners) and had 750 partners at year-end.
Axis shall maintain the leading technological position through a continued focus on research and development efforts. The basis is formed by platforms that ensure high quality and performance in all products.	Axis has advanced the product portfolio and added value to the products, among other ways, by releasing products equipped with the latest image compression standard H.264 and HDTV-format image quality which is built on an international standard.
Axis' products shall be manufactured in collaboration with partners that are specialized in contract electronics production.	Axis has continued close cooperation with selected contract manufacturers and has added additional partnerships in order to optimize product supply to the market. The close collaboration enabled Axis to rapidly take action to minimize the impact of the component shortage which arose on the world market during the latter part of the year.

Global company

Axis is a growth company with the objective of increasing its presence through recruitment in existing offices and by opening new local offices.

Strategy	2009
Axis shall principally continue to grow organically. Acquisitions aimed at increasing the geographical reach are, however, not ruled out.	Axis increased its presence during the year by opening local offices in Delhi and Mumbai, India, in Sydney, Australia, in Kuala Lumpur, Malaysia, in Buenos Aires, Argentina and in Santiago, Chile. The number of local offices has also been expanded in the US.
Axis shall continue to attract and recruit skilled personnel on a global basis within identified skills areas.	Axis' human resources were strengthened within all skills areas during the year, particularly within R & D but also within sales and marketing. Axis employed 58 people, and had 774 employees at year-end.



Research shows that network cameras in stores and shopping centers reduce shoplifting and theft. Thus, they improve safety for both personnel and visitors. Digital surveillance cameras may also assist shop proprietors in planning store design, inventory and staffing.

Important features

- > High image quality regardless of light conditions
- > Zooming and auto focus
- > Attractive design, in order to blend into store environments
- > Network system for central processing of data

Typical Axis products

- AXIS 209
- AXIS 212
- AXIS 216FD
- AXIS 216MFD
- AXIS P33 series
- AXIS P30 series

Digital surveillance cameras deliver better results and more efficient planning

Axis surveillance cameras are installed in stores and shopping centers throughout the world. Network cameras have made it possible for retail businesses to optimize sales efforts and to streamline store and inventory planning on site or remotely. Installing surveillance cameras is also a way of preventing wastage, shoplifting and theft in the retail trade. The cameras increase the security of both personnel and customers.

Camera analyses improves sales result

Clothing chain Tally Weijl has installed a few hundred Axis network cameras in stores in France, Germany, Switzerland and Austria. A people counter to count customers in the stores is also being supplied in conjunction with Axis' partners Cognimatics in Lund and the German company Data Components.

The installation is a good example which shows that cameras are not just used for surveillance, but that they may also contribute to greater understanding of customer purchasing behavior. The information may be used to develop strategies for how to exhibit goods optimally and where goods should be positioned in the store in order to boost sales and profits.

The cameras are mounted at the entrances and exits to the stores, among other places, in order to count customers. All video processing and counting of people takes place in the camera which makes the solution reliable, fast and user-friendly. Data is stored locally in the camera for one month and may be retrieved via a network. The solution may be expanded easily.

Less wastage in Swiss pharmacy chain

A large proportion of Swiss pharmacy chain Amavita's sales are based on sale of creams, fragrances and other cosmetic products. The products are often the target of shoplifting, which has occasioned extensive loss of sales for Amavita. Amavita conducted an evaluation of different cameras and solutions where focus was placed on high image quality, easy-to-handle systems and the possibility of integrating the solution into the group's IT system.

Amavita installed about sixty network cameras from Axis in ten stores at the start of 2009. Shoplifting has fallen noticeably since the installation of the cameras and the local police have identified and arrested shoplifters based on material from the surveillance cameras on several occasions.



AXIS P3344

Strengthen the position on the security market

Axis is the world-leading provider of network video solutions for professional installations. The products have considerable growth potential based on the ongoing technology shift from analog surveillance systems to network video solutions. Axis was ranked in fourth place among the world's suppliers of security equipment and thus advanced two positions compared with the previous year.

Above all, the security market is being driven and developed by increased prosperity, urbanization and a general trend towards greater security consideration. The customers are mainly within the security sector, but are also found in other sectors where a need exists for remote monitoring and streamlining of business processes. The market is considered to have major growth potential. Apart from security installations, growth is anticipated within new fields of application and new customer segments for network video, for example, inventory management and measurements of customer behavior in the retail sector and remote monitoring within health care.

Business opportunities through legal requirements

Stricter legal requirements on camera surveillance within specific areas may also give rise to new business opportunities, for example if a public authority decides that dispensing counters for medicines or public dams should be monitored. Greater acceptance of surveillance cameras is another important driver of the market. The right to feel safe and secure is one of the most important basic principles in society. Axis products contribute to creating safety as well as security. To ensure that the products are not misused, Axis carefully selects its cooperation partners and resellers and provides continuous training.

As the established market leader within network video solutions, Axis is well-positioned to take advantage of the growth opportunities generated by the technology shift as well as new fields of application.

Positive trend on the security market

The market research institute IMS Research* forecasts

that the total market for video surveillance (CCTV), covering for example surveillance cameras, recording equipment and video encoders, will continue growing. The total market was estimated by IMS to be worth USD 8.2 billion in 2008 and is expected to grow to USD 13.3 billion by 2013. Axis is ranked fourth in the world in the IMS report among vendors providing video surveillance equipment, compared with sixth place in 2007 and eighth place in 2006.

From analog technology to network revolution

The market for surveillance equipment came into existence in the 1950s when the first analog cameras were installed. The products have been progressively developed since then. Analog cameras with color images were introduced in the 1970s and ten years later, the possibility of recording video sequences was developed. When the AXIS 200 network camera was released in 1996, a technology shift from analog to network video solutions began and Axis has been the market leader ever since.

The shift from analog to digital technology creates opportunities for a new way of thinking when a security system is to be installed. The many benefits of network cameras, for example, easy installation in networks, high image quality and flexible installation mean that the closed systems must gradually give way to open and fully integratable systems.

Global market leader

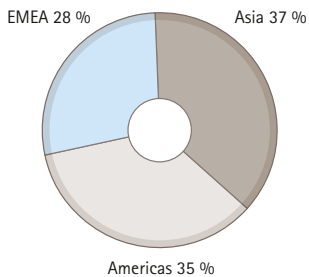
The interest in network video products continues to increase and these products currently account for approximately 20 percent of the new surveillance cameras sales globally. IMS estimates that the network video market is worth approximately USD 3.5 billion (figure for 2008).



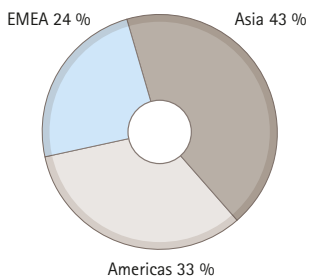
* IMS Research report "The World Market for CCTV & Video Surveillance Equipment", 2009

Video surveillance equipment 2008–2013

2008: USD 8,230 M



2013: USD 13,301 M



Source: IMS Research 2009

IMS Research ranks Axis in its report as the market leader within network cameras with an estimated market share of 31.2 percent. Axis has reached this position through solid know-how about products and solutions, well-established sales channels, good relationships with partners and a portfolio featuring innovative products.

Schools and health care have highest penetration

Schools and health care are the customer segments with the highest penetration of network video products. This is a logical consequence of the fact that installed networks often already exist in buildings where these types of operations are conducted. Other customer segments where network video has high penetration, approximately 25 percent according to the IMS report, are the transportation sector and government. The segments showing the lowest rate of network video installation are private housing and the banking sector.

The shift is progressing

The general financial turmoil during the year meant that some customers deferred decisions regarding installations, which has affected the rate of the shift from analog to network technology. According to IMS Research, network cameras are expected to account for between 40 and 50 percent of total new camera sales by 2014. In its report, IMS Research estimates global growth of 28 percent for network video in the coming year (2010), an assessment that Axis considers too optimistic in the prevailing market climate.



Competitors

The interest for network video products rose during the year, which has also led to a gradual increase in competition. Axis' largest competitors are still manufacturers of traditional, analog cameras. The dominant manufacturers of analog cameras are global players such as Panasonic (PSS) and Pelco, which occupy first and second places respectively in the global ranking for surveillance cameras in the IMS report. Sony and Panasonic (PCC) are examples of competitors offering network cameras, and are ranked after Axis on the global

Market shares for network cameras, 2008

Rank	Supplier	Share
1	Axis Communications	31.2 %
2	Sony	
3	Panasonic (PCC)	
4	Mobotix	
5	Panasonic (PSS)	

Market shares for security cameras, 2008

Rank	Supplier
1	Panasonic (PSS)
2	Pelco
3	Axis Communications
4	Bosch Security Systems
5	Sony

Market shares for video surveillance equipment, 2008

Rank	Supplier
1	Panasonic (PSS)
2	Pelco
3	Bosch Security Systems
4	Axis Communications
5	Honeywell

Source: IMS Research 2009

list of network video providers. All in all, it is estimated that there are around 250 different brands worldwide within the field of network cameras.

Regional differences

Geographically, network video growth is forecast in all regions. Asia is expected to display a higher general growth rate on the security market since the region currently has a lower share of digital installations and large parts of the market face infrastructural development. Regions in Europe, the Middle East and Africa where the penetration of digital surveillance is low are expected to display higher growth than other regions. North and South America have displayed good growth for a long time, while the US market in particular took in the new technology at an early stage. This means that the region has come further in the technology shift, which implies that the growth rate is expected to be more stable in North America in the coming years. South America is expected to display a positive growth rate.

The regions

Axis' operations are global and the company has more than 20 offices worldwide and is active locally with sales teams in more locations. The operations are reported on the basis of the three regions EMEA (Europe, Middle East and Africa), Americas (North and South America) and Asia. Axis' sales trend has been positive during the year in all regions.

EMEA

Initially during the year, lower activity prevailed in the region, but like the other regions, EMEA reported sequentially improved sales over the quarters. A reason

for the improved sales was the stabilization in the region's economy, which allowed customers to carry out planned investments in network video products. Other factors include generally increased interest for security installations, and greater interest for installation of network video products in schools, on trains and platforms and within the retail sector, which has positively impacted the ongoing technology shift.

The interest in participating in Axis' partnership program has been strong within the region and a large number of partners received training within the framework of Axis Communications Academy in order to learn more about the benefits of network video. Axis has attached great importance to offering opportunities for partners to provide quality to the end customer.

AMERICAS REGION

A gradual improvement in sales took place within the region during the year. On the North American market, the end customers have had greater possibilities to carry out planned installations of network video products. Axis products have been successfully installed within retail, the transportation sector and in schools. The convergence from analog to digital is continuing and network products in security installations have become a more natural choice on the North American market.

Axis further increased the number of partners in the partnership program during the year. Apart from system integrators and resellers, the training also covers consultants who require knowledge about network video solutions.

Region EMEA

(Europe, Middle East and Africa)

Location of regional office

Sweden: Lund

Local offices

United Kingdom	Italy
Germany	Russia
Netherlands	United Arab Emirates
France	South Africa
Spain	Sweden

Number of employees in the sales organization

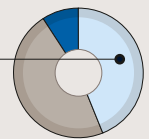
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Important customer segments

Transportation Public surveillance
Retail

Sales: SEK 1,001 M (947)

44 % of sales



Greater acceptance of surveillance

An international survey conducted by the National [Swedish] Council for Crime based on surveys in the US, Canada, Sweden and Norway, shows that criminality decreased in places with camera surveillance.

For example, the number of crimes at parking lots halved where surveillance cameras were installed, according to the survey. In some areas the number of crimes fell by almost 80 percent. In downtown areas and areas with a higher risk for crime, the number of offenses fell by 7 percent on average. The number of offenses on public transport fell by 23 percent on average. In another report produced by the Homeland Office in the UK, a high proportion (82 percent in total) of those asked in all the surveyed areas, stated

that they were "satisfied with" installation of video surveillance and also had great expectations about its impact. Eighty percent of those asked in a residential area expected that video surveillance would reduce criminality in their area.

Pupils perceive the camera as crime-preventing

A survey conducted by the Swedish Theft-Prevention Association (SSF) shows that 90 percent of secondary school students asked, would permit camera surveillance in their own school yard and in certain places inside the school, provided that the recorded material is handled in a controlled manner. The survey also showed a high confidence in camera surveillance as a crime-preventing measure. 70 percent of secondary school students believe that camera surveillance would increase safety at school.

Region Americas

(incl. North, South and Central America)

Location of regional offices

USA: Boston

Brazil: São Paulo

Local offices

Canada: Toronto

Argentina: Buenos Aires

Colombia: Bogotá

Mexico: Mexico City (agent)

USA: Sales managers in 15 larger cities

Number of employees in the sales organization

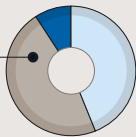
100

Important customer segments

Education	Government
Retail	Casinos

Sales: SEK 1,085 M (853)

47 % of sales



The South American countries are at an early stage with regard to acceptance of and use of network video products. There is demand, first and foremost within public surveillance, government and public buildings. There is also considerable interest for installation of network video products in new construction work. The infrastructure varies among the countries in the region, which means that some countries can already exploit the benefits of network video, whereas the potential in other countries lies in the longer term.

One year after the establishment of Axis' office in São Paulo, Brazil, focus has been placed on building up partnership programs. Partners have been added to the programs during the year and about one hundred people have participated in Axis Academy and partner training.

ASIA

Asia region displayed good growth during the year and a sequential improvement in sales over the quarters. Sales in the region account for 9 percent of total sales, but stretch over a large geographical area from China in the north to New Zealand in the south.

The market is strongly diversified, but there is a widespread interest in the new network surveillance technology and professional surveillance solutions. Security installations were carried out during the year in schools and universities, in public places and within the transportation sector.

Work in relation to the partnership program was intensified during the year and partners have been added to the program and educated in information pertaining to network video. During the year, more than 1,500 people participated in the Axis Communications Academy training program.

Region Asia

Location of regional offices

Hong Kong (North Asia)

Singapore (South Asia)

Local offices

China: Beijing, Shanghai, Guangzhou, Hong Kong

Japan: Tokyo

Australia: Sydney, Melbourne

India: Bangalore, Delhi, Mumbai

Taiwan: Taipei	Korea: Seoul
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Malaysia	Thailand
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Number of employees in the sales organization

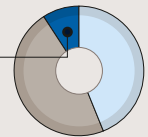
75

Important customer segments

Transportation	Public surveillance
Health care	Education
Retail	

Sales: SEK 214 M (175)

9 % of sales



A total of 89 percent believe that it would prevent vandalism.

Cameras boost safety in stores

A Swedish survey conducted by the Swedish Retail and Wholesale Trade Research Institute (HUI) during the year shows that the main reasons why retail businesses installed camera surveillance were less theft and robberies as well as increased safety for personnel. Nine out of ten shop proprietors have experienced positive results from having surveillance cameras in the store. This statistic tallies well with the positive results mentioned by shop proprietors in the survey. 66 percent perceive increased safety for the personnel, and more than half see reduced theft, robberies and shoplifting.

Report 2007:29, Camera surveillance and crime prevention, The National [Swedish] Council for Crime Prevention.





Camera surveillance can provide security for citizens in particularly vulnerable places and video can facilitate the production of evidence if a crime is committed. Examples of other fields of applications include surveillance of property, traffic and areas threatened by fire and floods.

Important features

- > High image quality regardless of light conditions
- > Resistance against different weather conditions and to damage
- > Wide surveillance range per camera
- > 360° mobility, zooming and auto focus

Typical Axis products

- > AXIS 215PTZ
- > AXIS 6032-E
- > AXIS 233D
- > AXIS Q1755
- > AXIS P3343-VE

Surveillance of traffic, surroundings and public places makes cities safer

Axis network cameras are used to protect people's lives and health. The cameras monitor public places and traffic flows around the world in order to prevent crime and accidents. The cameras are also deployed to monitor water-levels in rivers in order to warn against flooding.

Reduce the risk of flooding

The authorities in Venaria Reale in Northern Italy perceive many needs for surveillance of strategic places. Every year, one million visitors come to see the city's historical sites which are among the foremost in the country. The traffic is a major burden creating the need for traffic surveillance. The city is also located in the danger-zone for flooding which means that the authorities need to monitor the water-level in nearby rivers. They also have the ambition of preventing crime in public places.

The local authorities demanded a versatile and easy-to-use solution capable of delivering exceptional image quality. After careful evaluation, Axis was chosen as supplier and the different needs could be satisfied using several types of network cameras placed in strategic places in the city and by the Ceronda river.

More attractive urban environment

Jinju City is an example that public security is concerned with more than just preventing violent crime and crimes against property. The South Korean city would like to be attractive for its residents and visitors, but has experienced problems with unlawful dumping of garbage and other waste, creating discomfort and bad air quality.

The solution chosen by the city's representatives was to install network cameras from Axis in exposed places. The cameras comprehensively cover the areas in question and deliver high-resolution images around-the-clock, which is critical when it comes to identifying people and reading car license plates. The installations have led to a rapid decline in offenses and contributed to a more attractive and secure urban environment.

AXIS Q6032-E



Higher image quality and better compression

Axis released approximately twenty high quality network video products during the year which were well-received by the market. Focus has been placed on rollout of network video products featuring the new H.264 compression standard, network cameras which deliver HDTV image quality and high-performance video encoders. In addition, easy-to-install and ready for outdoor use cameras were very successfully introduced.

Since Axis was founded 25 years ago, the company has delivered products which are connected to networks. The product portfolio has gradually evolved to mainly consist of network video products. The product portfolio consists of network cameras, video encoders, software and accessories.

The products are primarily included in security installations, ranging from solutions for individual stores to comprehensive systems on trains, on motorways at universities, in banks and in retail chains. Streamlining and optimization of the customers' transaction flows, for example, in warehouses and within the retail trade are applications where network video products directly contribute to commercial benefit for the customers.

H.264 – compresses and enables

The introduction of products featuring the H.264 image compression standard continued during the year and the majority of products shipped were built using this standard by year-end. It offers a more cost-efficient installation and the possibility of handling more comprehensive systems. It also means that more video information can be saved on less storage space. Axis is improving the capacity in modern video surveillance solutions by integrating the H.264 image compression standard into all new products. Just like before, the new generation is built on an open platform for intelligent video, which offers the user great freedom of choice.

During the year, an independent consultant conducted and presented a survey demonstrating the benefits of products equipped with H.264 in security installations.

HDTV – delivers superior image quality

One of the benefits of network cameras is that they deliver video of high image quality. For a long time now,

Axis has offered cameras featuring megapixel quality and during the year the product portfolio was further strengthened with a number of HDTV-standard cameras. At an early stage, Axis introduced HDTV-quality cameras, and this subsequently became one of the technology trends of the year. HDTV technology provides higher image resolution, which means improved ability to identify details, people and objects, an important issue when it comes to security installations. The resolution with a HDTV network camera is at least three-times higher compared with an analog CCTV camera.

Products that cope with severe climates

The interest in comprehensive network video installations in demanding environments has increased and Axis has broadened its offering within the area. As systems become more comprehensive, demand is rising for easier and rapid installations that deliver time savings and thereby lower installation costs. Axis network cameras for outdoor use are designed to withstand difficult weather conditions, continually provide reliable surveillance and be easy to install. The products can advantageously be installed in outdoor environments where the temperature can change, for example from minus forty to plus ten degrees centigrade, which makes strict demands of both the electronics and the mechanics. The installation must be easy to perform in demanding weather conditions. During the year Axis introduced network cameras with outdoor housings and products with a bayonet mount installation.

Intelligent functions are good for the customer

A network system offers great possibilities to add intelligent applications. Axis' strategy is to integrate intelligent applications directly in the network camera and to meet customer-specific needs in conjunction with



Products introduced during the year

During the year, Axis introduced just over twenty products within the following categories with selected features. For more information, visit www.axis.com and select Products.

Fixed network cameras

AXIS P1343
AXIS P1344
AXIS P1346

Fixed dome network cameras

AXIS M3014
AXIS P3343
AXIS P3343-V
AXIS P3343-VE
AXIS P3344
AXIS P3344-V
AXIS P3344-VE

PTZ network cameras

AXIS P5534

PTZ dome network cameras

AXIS Q6032-E

Video encoders

AXIS Q7404
AXIS M7001

Video Management Software

AXIS Mobile Monitor
AXIS Camera Station 3.20

Accessories

AXIS T92A20 Housing
AXIS P8221 I/O Audio Module
AXIS T8412 Installation Monitor



partners. In the first-mentioned case, it is about providing more universal functions, for example motion detection and a people counter. In the latter case, it involves continuous and close contact with ADPs (Application Development Partners).

A new open platform

All Axis products are already built on an open platform, which means that application developers have the possibility to develop and integrate software applications and in this way adapt the product's functionality to specific fields of application. This has led to Axis having the market's broadest support among suppliers of surveillance software. To advance the cooperation with partners and their possibility of integrating software in the cameras, Axis strengthened the offering during the year with an additional open application platform, AXIS Camera Application Platform. This offers other companies the possibility of developing applications which are downloaded and run directly in cameras or encoders. This possibility is important, not least within intelligent applications, where there are major performance benefits from being able to run the applications out in the cameras in the surveillance system.

AVHS – provides easy access to material

Axis continued its investment in the AXIS Video Hosting System (AVHS) during the year, developed on the previously named STS-system (Subscriber Technology Services). AVHS is a platform for creating a specific portal, as a

service, for handling video surveillance over the internet. By connecting Axis' network video products to a local network, the AVHS system offers easy and secure access via internet both to video in real-time and in recorded form. Customer benefits include access to video from anywhere, and that the system is easy to install and is scalable. Axis' strategy for AVHS was clarified during the year, which means that it shall be marketed first and foremost towards traditional customers and partners, i.e. larger and smaller security and surveillance companies.

Global open cooperation

ONVIF (Open Network Video Interface Forum) is an initiative started by Axis, Bosch and Sony during 2008 and aims to establish a global, open interface standard for network video products. At year-end, ONVIF had over one hundred member companies, including international companies such as Panasonic, Cisco, Genetec, Texas Instruments and Indigo Vision. During September, AXIS P3301 was released as the first Axis network camera based on the new open platform.

The new standard will make it easier to integrate network video equipment from different suppliers and help manufacturers and independent software developers to guarantee compatible products. The standardization initiative that Axis, Bosch and Sony have taken, shows the companies' strong wish to support the ongoing shift from analog to network surveillance on the security market. Information is continually available on www.onvif.org.



Classification of the product portfolio

Axis' product lines: Q, P, M and T Line

Axis offers the broadest product portfolio on the market. Four functional product lines have been defined in order to clarify the product offering.

Each product line has products for different fields of application, for example fixed cameras, PTZ/Dome cameras, video encoders and decoders as well as software for handling video material.

Axis' product range is focused on the end users' needs.

M Line



Axis' M Line products are fashioned in a functional, simple and attractive design. The products represent good value and deliver the highest image quality in their class. All M Line products offer a user-friendly web interface standard functionality and are quick to install. The products are primarily intended for smaller systems, but may also be installed in larger systems.

Example: AXIS M10 series, AXIS M30 series

Q Line



Axis' Q Line products are the most advanced, secure and adaptable network video products on the market. The products are suitable in all critical operational installations and they are reliable and durable both in terms of performance and design. The Q Line products are based on cutting edge technology within network video and deliver superior image quality including highest light sensitivity and also feature the most advanced video management capacity.

Example: AXIS Q1755, AXIS Q6032

P Line



Axis' P Line products are adaptable, versatile and secure. P Line is suitable for a broad spectrum of traditional network video use. With exceptional image quality, high performance and professional design, the products are perfect for large-scale security installations.

Example: AXIS P33 series, AXIS P13 series

T Line



Axis' T Line range consists of accessories that supplement Axis' network video products. The products are high quality, functional and allow the customers to adapt their video solutions to many environments and thereby protect their investments.

Example: camera housing, lenses

Network video creates benefits

Network, or IP surveillance offers considerable benefits compared with the analog technology. Network cameras offer users the possibility of remote monitoring, which means that they can gain access to video from a computer with an internet connection anywhere. The cameras are easy to integrate with different security solutions, which delivers an optimal result adapted to each unique situation. Network

systems also offer flexibility which facilitates conversion or extension of the systems. Power over Ethernet (PoE), in other words, power supplied via the network cable, is another benefit of network installations. The image quality is also of crucial importance for the shift from analog technology to network video, not least the possibilities of megapixel and HDTV quality, which have no direct equivalent on the analog market today.

Customer segments



Education

Installation of cameras has proved to reduce vandalism in schools. The network cameras' advantages of scalability and easy installation suit schools and educational institutions as the infrastructure is often already in place.

Retail

Network cameras in stores and shopping centres offer the shop proprietors a good overview of e.g. warehouses or stores situated in other geographical locations. The cameras can also identify customer flows, which offers the possibility of adapting displays as required and thereby boosting sales.



Industry

Network cameras are used in installations within the industrial sector in order to monitor processes. The cameras are set up in the factories and video is available on a computer irrespective of geographical location.



Banking

Network cameras at entrances and over counters increase security for personnel in banks and in exchange offices. Installations of network cameras are increasing within the banking system as the technology is well proven after more than ten years on the market.



Transportation

Network cameras are installed in buses, on trains and in stations in order to provide security for personnel and passengers. The cameras trigger an alarm when an unexpected event occurs, e.g. if a person sets foot on an isolated area of track or if a camera is exposed to vandalism.

Public surveillance

Surveillance can provide security for citizens in particularly exposed places and video can facilitate the production of evidence if a crime has been committed. A network camera is easy to install and can easily be moved to an alternative location if necessary.





Camera surveillance at schools and other educational institutions contributes to the security of pupils and teachers. Cameras have also proved to reduce theft and damage to property. Network cameras are generally easy to install in schools and to integrate with existing data communication infrastructures.

Important features

- > High image quality
- > Prevent damage to property
- > Easy to integrate with existing network and cable TV systems

Typical Axis products

- > AXIS 216FD
- > AXIS 225FD
- > AXIS 233D
- > AXIS P3334
- > AXIS P3301



Security has highest priority in schools with thousands of teachers and pupils

Many schools are facing a growing problem with violence and maltreatment directed towards pupils and teachers. In addition, theft and vandalism often entail high costs for servicing and equipment. Therefore, schools and other educational establishments around the world are investing to boost security with network cameras from Axis for surveillance of school yards, corridors, class rooms and other premises.

Extensive area makes special demands

Security at larger seats of learning can imply significant challenges. For example, this is the case with Swinburne University of Technology in Australia which has 45,000 students and 1,500 staff spread over six cities. The largest university area also includes a railway station, public roads, shops and places of entertainment where thousands of people are on the move, around-the-clock.

When the university's previous analog surveillance system was no longer sufficient to monitor the extensive university' areas, they installed a network system from Axis. Besides the very high image quality, it was a major advantage that the cameras could be integrated with the university's existing, comprehensive wireless network. Thus, the 180 cameras could be very easily placed where they were considered to provide greatest benefit.

School children must be safe

"If the pupils do not feel safe at school, then it will interfere with their learning". This is according to Mark Deldin, school manager of Chippewa Valley in Michigan, US, which explains why security work is so important in the district.

22 schools already have guards in corridors and security personnel who do a good job, but the school management felt that they had to spend far too much time investigating reports and incidents. Therefore, the school's IT consultants were commissioned with designing an effective network video system for surveillance of the school areas. The result was a security solution based on Axis' technology and cameras which supplements the monitoring work of the school's personnel. It also facilitates investigation of incidents by providing a clear and distinct image of what happened.



AXIS P3301

Loyalty in the sales channels

Axis reaches the market through a large network of skilled partners, which combined creates a unique offering for the customer. This "ecosystem" consists of four different types of partners which are divided into different programs. In common for the programs, the members receive customized information about network video and its benefits, which helps them in their business dealings with the end customer.

Axis only sells its products via indirect distribution. A sales model is created in this way which is an important cornerstone for Axis and provides competitive advantages. The indirect sales model means that Axis' products are sold to a limited number of distributors which then reach the end customer via system integrators.

Partners create competitive advantages

Axis' partners serve as an extension of the company and play a key role in reaching the market. Loyalty, scalability and proximity to the customers are created through a two-stage model, while at the same time, organizational efficiency is maintained.

The number of partners is constantly increasing and programs are successively developed to enable optimal solutions for the customer. For example, Axis' partners receive advance information about product releases, which generates competitive advantages for them in negotiations with the end customers. By working in partnership, Axis gains some of the valuable knowledge about the market possessed by the local partner and gets a good insight into the needs and opportunities on the local market.

Distributors – the first stage

Axis' sales take place in the first stage to the distributors. The distributors stock the products and supply them to the system integrators and resellers in line with sales to the end customers or if they decide to stock a product. Axis works with a handful of distributors, local or global, in each country where it is represented. The global distributors include Ingram Micro, TechData and Anixter.

Extension of Axis

Axis Channel Partner Program covers system integrators and resellers. The program is designed so that partners can generate business opportunities from

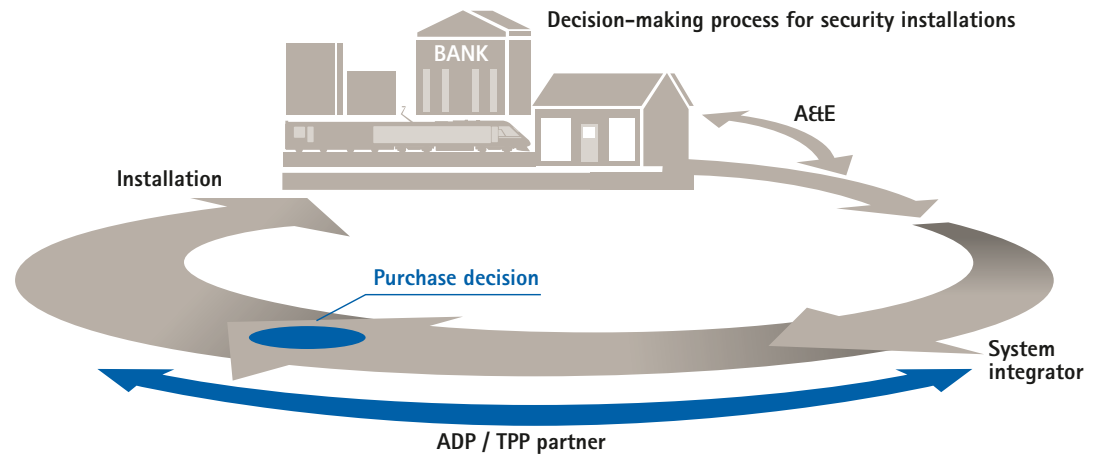


Axis' market-leading position within the rapidly growing network video market. The program is open to all and creates loyalty, resulting in a cost effective and scalable sales model for Axis.

When making an offer to an end customer or during discussions, Axis' partners receive help and support through direct contact with Axis which provides technical support and the possibility of help in the pricing process. The participants in the channel program also receive information about product releases and access to marketing material as well as the opportunity to participate in Axis' exhibits at fairs. An important part of the program is to provide training within network video.

Meeting with end customer

Resellers and system integrators are often the partners that meet the end customer in a sales discussion



Skilled trainers from Axis educate partners in the benefits of network video within the framework of Axis Academy.

regarding a complete solution or particular products. Axis' sales people work very close to partner companies with skills transfer and support in projects towards the end customer. The system integrators install and integrate Axis products in security solutions in all of Axis' identified customer segments. Some of the system integrators that Axis cooperates with are Honeywell, Johnson Controls, Niscayah and IBM.

ADP – Applications that supplement the product portfolio

Apart from partners in the sales channels, Axis collaborates with over 750 software developers, i.e. Application Development Partners (ADPs), which is an important part of the continued investment in the professional network video market. The ADPs develop application software which functions as a complement to Axis' proprietary software offering and which gives the end customer access to a large number of applications in order to meet different needs within the customer segments. The majority of all installed network cameras are deployed in conjunction with software from one of Axis' ADPs. Through collaborating with ADPs who work close to the customers, an understanding is gained of the customers' needs and the solutions can be adapted to the local market. Participation in the program gives software developers the possibility of fully integrating Axis' network video products into end customer solutions by offering components such as VAPIX, open platforms, technical documentation and dedicated development support. The ADP program enables companies to develop software that can be easily integrated with Axis products. Axis' offering to the market is broadened through collaboration.

A&E – Supports with technical competence

Axis also offers a program that is intended for consultants, A&E (Architecture & Engineering). Axis' A&E program offers a series of outstanding tools for engineers and consultants who design IP security systems. The

goal is that the consultants specifying products in security installations should have good knowledge about network video. Axis provides access to advanced and user-friendly tools as well as training.

TPP – Storage and networks

Storage and networks are important components in an IP system. The TPP partnership program (Technology Partner Program) was initiated in 2009 to facilitate other partners. The TPP participants include industry-leading infrastructure partners which ensure compatibility and optimized installations for the end users. The TPP program is designed for companies which supply the infrastructural components required in an IP surveillance system. Technology Partners and Axis can collaborate to identify commercial value, such as enhanced functionality and performance, as well as share information and conduct joint training. Technology Partner Program connects the other programs within Axis and together they offer complete solutions as they provide a good understanding of the different parts of an IP surveillance system.

Axis Communications Academy

Partners are continuously trained through participation in the ambitious training program, Axis Communications Academy. The training is designed in order to educate system integrators and resellers in the benefits of network video generally and Axis' products in particular. Knowledge that is useful in the sales process. The trainers are Axis' employees who possess high technological competence and are well informed of the current trends and requirements on the market. The participants receive, in their native language, tools and know-how about network video through the entire sales chain from demonstration to installation and support. The training started in 2005 and 15,000 people have participated since then. Work began on a web-based training program in 2009, an offering which represents a supplement to the classroom-based training programs.

The development work differentiates the products

Research and development has always been a highly prioritized area in order to maintain Axis' market-leading position. With a high rate of innovation within a number of different areas, Axis continued to advance the network video products during the year in order to add value for the end customers and differentiate the products on the market.

Axis has developed a broad knowledge base through many years' experience and has built up a high level of expertise within network video. About 350 engineers work methodically to develop the technology platforms and products of the future. The products are based on open systems, which means that they may be easily integrated into other security solutions and that software from partners may be added.

During the year, 16.1 percent (14.9) of consolidated sales were invested in research and development in both hardware and software. The R & D expenses increased by SEK 63 M compared with the preceding year and amounted to SEK 332 M (269).

The aim of the R & D work is to ensure that Axis shall remain at the technical leading edge in relation to image quality, image analysis and network security. Future market needs are identified through business intelligence, which are subsequently transformed in the development work into added customer value.

Demands on light sensitivity, dynamics, color reproduction and resolution in the network cameras are constantly increasing. Thus, Axis focused on the following areas during the year:

- > Axis conducts long-term work on development of proprietary chips that provide high image quality and fulfil the demands of the network video products of tomorrow. ARTPEC® is an innovative image processing and image compression chip, delivering high performance, good bandwidth efficiency and high image quality. Axis continued to advance the chip during the year as part of work to add new functionalities.
- > Intelligent functions are in focus on a market where passive surveillance is being replaced by active. Axis' long-term work within image analysis has given the company solid experience and a high level of com-

petence in the area. Examples are alarm in the event of vandalism (Active Tampering Alarm) or transit of a fence (Cross Line Detection) and automatic tracking (Auto-tracking). Other functions are developed by partners within application development (ADPs), for example, measurement of customer flows in stores or face recognition.

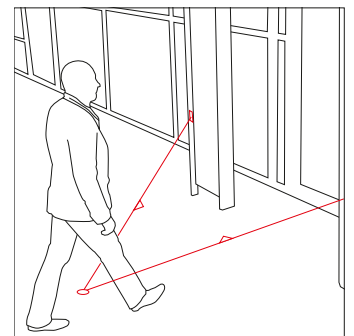
- > In order to offer the highest image quality on the market, Axis has developed and introduced HDTV-quality network cameras and this work will continue over the coming years. Axis is the first supplier to offer a range of HDTV cameras and is thereby strengthening its leading position.
- > An important objective has been to broaden Axis' product portfolio with a thermal network camera. With the launch in January 2010, Axis is the first company on the market to offer a thermal network camera which can detect people and objects in challenging conditions.

Patents safeguard the innovations

Axis' investments in technological and product development are protected by patents and registered designs. During the year, applications for four new patent and registered design families were filed. They describe Axis' latest inventions within network technology and camera construction, and also cover Axis' innovative design. Thirteen national patents and a number of registered designs were granted during the year. The patent portfolio now contains 71 active patent and registered design families.

Cooperation with universities and colleges

Since the beginning, Axis has collaborated with universities and colleges and offers students the possibility of carrying out course work. Axis maintains long-term and good relationships with research groups at Lund University, The Royal Institute of Technology, Chalmers and Linköping University.



AXIS Cross Line Detection is an application that detects moving objects that cross a virtual line, making it possible to automatically trigger an event.

Collaboration provides quality and delivers security



Within Axis, Operations is responsible for the supply chain from component procurement to delivery of products to the distributors. During the year, a new logistics and configuration center was opened in the US, evaluation and expansion of suppliers has been completed and existing processes have been streamlined. During the latter part of the year, the work focused on ensuring component availability in light of the increased demand for components on the world market.

Axis has a global perspective to functions within Operations which ensures availability to products all over the world and satisfies the customers' demands for flexibility, delivery security and high quality.

The watchword is flexibility

All production takes place in collaboration with companies that are specialized in contract electronics production and have a high level of expertise within the area. To ensure continuous and flexible production, Axis uses selected contract manufacturers with factories around the world. During the year, existing suppliers were evaluated and the supplier portfolio was broadened geographically. Part of the supplier strategy is that Axis shall account for more than 5 % but less than 25 % of each supplier's sales. This is to ensure strong focus on the part of the suppliers, flexibility and the possibility to rapidly scale up and down volumes. Axis also demands that contract manufacturers should be ISO 9000 and ISO 14000 certified.

Secured processes release capital

Axis creates production documentation which the contract manufacturers have online access to, through Axis' production database system, and prepares the start of production while ensuring the supply of strategic components such as the internally developed chips ETRAX® and ARTPEC® and image sensors. The electronics production is then carried out by the contract manufacturers. By not owning its own production equipment, Axis increases its flexibility and capital is not tied up in production.

Quality assurance

Production takes place according to well developed production instructions that are supplemented with quality control by Axis' production testing system, both in production and final assembly. The final assembly

means that the products are configured for indoor or outdoor use, loaded with software, packed with the power unit for the country concerned and quality assured in Axis' configuration and logistics centers (CLC) in Sweden, Hungary, Thailand and the US.

Less environmental impact closer to the customer

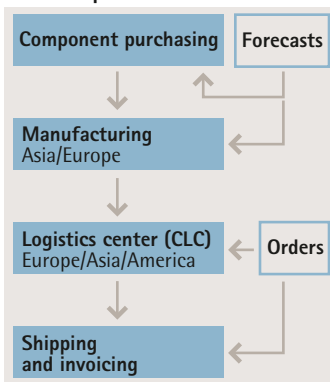
Axis established a configuration and logistics center in Atlanta during the year. This will improve the supply of products and strengthens Axis' presence on the American market. The products are transported from the manufacturers to the center in bulk containers and are then transported the final stretch to the customers in individual containers. This process more than halves the total transport volume and reduces the environmental impact.

Forecasts

In order to supply the market with the right products at the right time, correct and reliable forecasts and efficient order handling are of critical importance. The forecasts form the basis for procurement of components from the suppliers.

A component shortage arose during the latter part of the year as a result of the increased demand on the world market. The lead times for certain components, which previously were 4–8 weeks, increased quickly to 14–20 weeks. Axis' network video products could be delivered to the market without widespread disruptions by virtue of already well-established cooperation between Axis' subsidiaries, head office and subcontractors as well as through the redesign of certain products.

Scalable process



Knowledge transfer develops the employees further

Axis operates on markets characterized by high growth and strict demands on the supplier. Therefore, Axis is working purposefully to recruit new employees in order to handle larger and increasingly complex operations. During the year, focus has been placed on continuing work on implementation of Axis' core values and introduction of new employees.

Notwithstanding the general weakening of the world economy during the year, Axis continued to hire, and had 774 employees (716) at year-end, which amounted to an increase of 58 people. Hiring primarily took place within sales, marketing and research and development, but also within sales support functions. At year-end, 502 employees (460) worked at the head office and the remainder 272 employees (256) are in 20 offices throughout the world (see note 19).

Knowledge, experience and personality were in focus in the recruitment process. All positions were advertised on the company's website, via external recruitment sites and on the intranet to encourage internal mobility. By recruiting internally whenever possible, skills are secured within the company, while at the same time, mobility within the company is stimulated.

Values create job satisfaction

Mikael Karlsson and Martin Gren founded Axis 25 years ago with the ambition to establish a healthy company where the employees feel happy to work. The emphasis in the corporate culture is on giving the individual freedom and confidence in his/her work and always being open to new ideas and opportunities. To operate as one company (Act as one), to act openly (Always open) and think big (Think big) are the basic core values in Axis. Axis' staff are encouraged to question, take the initiative, take responsibility and to always aim for the same goals. The corporate culture and the values form the basis for an attractive working environment and create the conditions for profitable growth.

Create same global understanding

During the year, a number of introductory training programs were conducted both at a local and

regional level in order to communicate Axis' values to all employees. All new recruits undergo corporate training locally, where they gain an insight into the company's history, operations and future plans. Many new recruits receive the opportunity to participate in international training which includes meetings with people in senior management positions at the head office in Lund.

Exchange of knowledge drives Axis forward

Apart from introductory training programs, training is conducted for all sales personnel. Representatives from the management visit Axis' worldwide sales offices in order to present and discuss the company's operations, goals and vision. Equivalent training is conducted for staff at the head office in Lund.

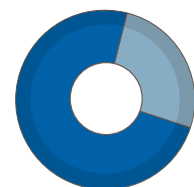
Apart from training opportunities, great importance is attached to knowledge transfer between employees, departments and age groups in order to spread knowledge within Axis' different skills areas.

Ensure skills level

To secure high skills levels in the future and to be an attractive choice for new graduates, Axis maintains close cooperation with Lund University which goes back a number of years. Axis supervises a number of degree projects every year, and awards the annual Axis Award to one or more students who have made an active contribution to increasing knowledge in the network video area.

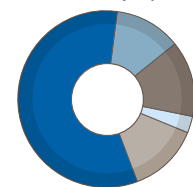
Axis, in partnership with universities, the business community and politicians, is also active within a number of regional networks. These have the aim of increasing interest in running businesses in the region, attracting people with the right skills profile and act-

Educational level



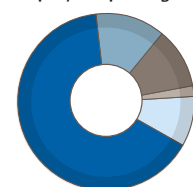
■ College & university 72 %
■ Other 28 %

Period of employment



■ 1 year: 13 %
■ 2-5 years: 58 %
■ 6-10 years: 12 %
■ 11-15 years: 14 %
■ >15 years: 3 %

Employees per region



■ Sweden 65 %
■ EMEA 13 %
■ North America 11 %
■ South America 2 %
■ Asia 9 %



Many newly employed have participated in an introductory course at the head office in Lund.

ing to ensure that the region shall offer an attractive environment to live and work in. Axis is also active within the organization Transfer Teknik, whose mission is to increase secondary school students' interest in technology, science and IT.

Personnel processes in place

The personnel function developed during the year into a global organization with functions within the EMEA and Americas regions. An overall plan has been gradually completed for ensuring that training, recruitment processes and core values are implemented in a structured and similar way throughout the entire Group. A personnel system for Swedish employees was developed during the year and a collective agreement was signed for the operations in Sweden.

Staff statistics

The number of employees worldwide was 774 (716) at year-end. During the year, the level of absence due to illness was low in the Swedish operations, at 2.4 percent (3.0) in total. Among women, absence due to illness was 3.6 percent (4.0) and among men it was 2.0 percent (1.8). The figure was 3.5 percent for the 0–29 age group, 2.1 percent for the 30–49 age group and 2.1 percent for the 50–65 age group. Staff turnover in Axis was low at 5.6 (11) percent during the year, measured in terms of the number of people who left the company. The average age of staff was 37 years (37). The number of women totaled 214 (195) and the number of men amounted to 558 (521). Axis is a typical knowledge (white collar) company, which is reflected by the high proportion of employees with university degrees, 72 percent (74).

Continuous improvements for sustainable development

Axis' work with sustainability issues is an integrated part of the business processes. The intention is to create value for shareholders and other stakeholders as well as build relations and take responsibility in social and environment-related matters. The work proceeds from Axis' code of conduct which is based on international guidelines for corporate governance, environmental considerations, social responsibility and business ethics.

The strategic responsibility for Axis' sustainability work is held by the Environmental Council which includes representatives from the management team and relevant functions. The day-to-day work is conducted through an increasingly structured process with analysis, implementation and follow up, aimed at creating management by objectives in the sustainability area.

Code of conduct

It is of great importance to Axis that its staff act correctly in all business related situations. The company's Code of Conduct contains guidelines relating to ethical business behavior including handling of conflicts of interest and repudiation of bribes and corruption. All employees are expected to promote, contribute to and uphold the company's values, integrity and responsibility. Axis also encourages its suppliers, distributors, system integrators, consultants and other business partners to follow these principles.

The following international principles form the basis of Axis' Code of Conduct:

- > UN's Universal Declaration of Human Rights.
- > The UN's Global Compact initiative which aims to promote social and environmental responsibility in companies operating internationally. Axis has reported activities carried out during the year within the Global Compact framework. For a complete report see www.unglobalcompact.org
- > ILO Declaration on Fundamental Principles and Rights at Work.

The Code of Conduct shall be considered when decisions shall be taken in all areas from research and development to marketing. The Code and Axis' overall policies apply for the entire Group, while the application may vary slightly between different countries due to national legislation, among other things.

Respect and dignity

In order to create transparency and uniformity in the Group, an overall plan was initiated during the year to ensure that personnel issues such as training, recruitment processes and core values are handled in a structured and similar way throughout the entire Group.

Axis ensures that the employees work in a safe and healthy environment in accordance with international and national legislation. The efforts in relation to the work environment and occupational safety have increased during the year. Among other things, a work environment council with employee representatives was formed and a safety representative was chosen from the employees in the Swedish part of the operations.

Surveillance cameras providing safety and security

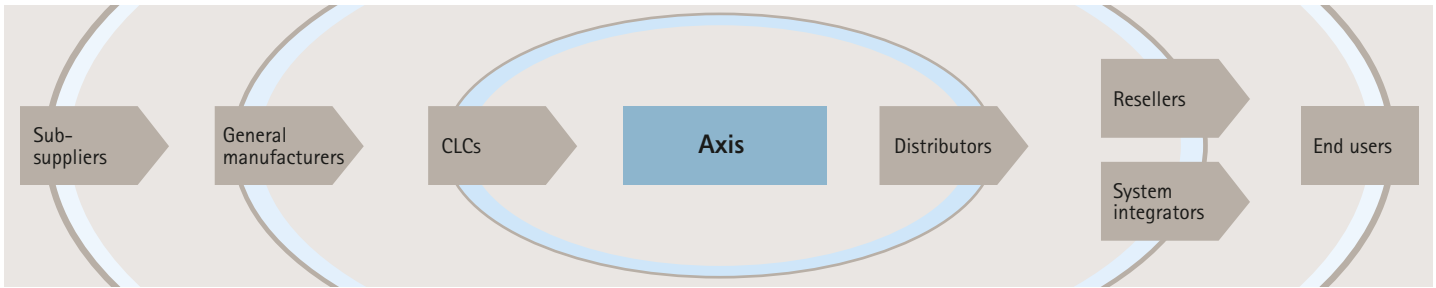
Axis develops and supplies network video products which are primarily used in security installations. The right to feel safe and secure is one of the most important basic principles in society. Therefore, surveillance systems serve an important function.

Products that are deployed for surveillance or guarding have sometimes been in focus in the current debate on privacy. Axis' viewpoint is that a surveillance system in itself is not a violation of privacy. To avoid misuse of the products, Axis handles the selection and training of partners and resellers with utmost importance.

There are a number of examples on Axis' website of customer installations within public surveillance that point to improved security and less vandalism in areas where cameras were installed.

Axis' global arena

Axis has a global sphere of interest covering all from subcontractors, contract manufacturers, Axis Configuration and Logistics Centers (CLC), distributors, system



integrators and resellers to end customers. Axis has suppliers in Europe, North America and Asia.

The products are sold via an indirect distribution model, where Axis' sales in the first stage are made to the distributors. They stock the products and deliver them to system integrators and resellers which supply the products to the end customers.

The business model means that a major part of the responsibility for production, distribution and installation of Axis' products lies with the company's partners. In support of this, Axis pursues close collaboration with its partners through a Channel Partner Program, among others, which includes different forms of training.

Axis also works with supplier contracts which impose requirements in respect of working conditions as well as financial and ethical demands. Among other things, Axis requires that contract manufacturers and carriers should be ISO 9000 and also partly ISO 14001 certified. Suppliers of principal components and semi-manufacturers are examined through a carefully designed process where the critical factors are price, environment, quality, ethics and flexibility. Workplace visits are also part of the evaluation of the suppliers.

Environmental considerations in the entire value chain

Axis' ambition is that environmental considerations shall be applied in the entire value chain, from choice of materials in components to the use of the finished product. The latest technology available is used in development of new products in order to minimize energy consumption and the environmental burden.

Axis continually evaluates the operations and products in order to increase its knowledge of the environmental impact caused. A clear result of the environmental work is that the products' energy consumption has been greatly reduced over time. The cameras have also been designed in a more compact way, which reduces material usage and transportation volumes.

Axis cooperates with component manufacturers in order to minimize the use of hazardous components

and substances in existing or future products. Axis meets the requirements of the EU's directive on restriction of certain hazardous substances in electrical and electronic equipment, the RoHS directive, as well as the requirements in the EU's directive on collection and recycling of electrical and electronic products (WEEE). Axis also complies with the requirements in the EU's REACH directive on registration, evaluation, authorization and restriction of chemicals. All suppliers must provide information about the raw materials used in products supplied to Axis and give recommendations about how worn-out products should be dealt with.

Apart from statutory requirements, Axis has produced its own list of prohibited substances in order to further reduce the number of dangerous and undesired substances in the products. The list, which was extensively updated during 2009, means that Axis is well-prepared ahead of any more stringent requirements on the market.

During 2009, Axis began the first product life cycle analysis, Life Cycle Analysis (LCA), in order to develop a clear understanding of the environmental consequences of one of Axis' new products during its entire life cycle. The study, which is a pilot project, aims to establish a method for use of life cycle analyses in Axis' product development process.

Axis aims to use environmentally certified bulk transportation, i.e. that products are shipped in large consignments in order to reduce environmental impact. The transportation itself has the greatest environmental impact in the logistics process.

Environmental benefits of Axis' products

An important benefit of Axis' products is that they involve a lower impact on the environment than traditional cameras through the possibility of remote monitoring. This means that a customer with operations spread in different geographical locations can monitor the operations remotely, which may mean that the number of journeys can be minimized and carbon dioxide emissions reduced. Compared with analog cameras, an installation of network video products also reduces energy consumption, waste and cabling, which implies that the new technology offers environmental benefits.



Network cameras are used in the transportation sector in order to provide security for personnel and passengers. The cameras can also contribute to streamlining logistics operations by tracking and monitoring goods and traffic flows.

Important features

- > High image quality
- > Resistance against different weather conditions and to damage
- > Built-in alarm in event of tampering
- > Motion detector, zooming and auto focus

Typical Axis products

- > AXIS M31-R series
- > AXIS 8108
- > AXIS Q6032
- > AXIS P33
- > AXIS Q1755

More network cameras in demanding transportation environments

Axis' installations of network cameras within the transportation sector have increased over the past year. The cameras are used to increase safety for travellers by improving security and preventing, for example, damage to property, violence and insurance fraud. The cameras are also used to reduce the costs of transport management and to monitor traffic and road conditions within exposed areas.

Network cameras safeguard journeys and save time

An installation of Axis network cameras commenced in 2007 as part of the Greater Stockholm Public Transport Company's (SL) Safety project, a project aimed at creating a safer travelling and working environment, reducing traffic disruptions and lowering the costs of combating graffiti and vandalism. The 14,500 cameras were installed on busses, at subway stations, in transit halls and at train depots. The installation is the largest in Sweden to date.

SL required that the network cameras should be robust, bearing in mind the risk of sabotage, and be able to withstand adverse conditions such as dust, dampness and vibrations. Apart from a crime-preventing effect, the cameras mean that SL can achieve better traffic planning. Through the Security center, which is manned around-the-clock, SL gains an overview of the operations and can reduce disruptions and enhance security. For example the surveillance system gives SL the possibility of recommending drivers to be extra careful if there are a lot people on the platforms and to put in extra trains if the pressure is high.

More efficient goods handling with network cameras

The shipping terminal in Norfolk, Virginia (US), handles around 700 containers daily with goods carried by railway and the volumes are expected to increase sharply over the coming years. Virginia International Terminals, Inc., which operates the terminal, chose to install network cameras from Axis as part of the work of improving efficiency in order to handle rising volumes.

The network cameras photograph the containers when they are moved on the railway. The operators can follow the signals and check to make sure they are not damaged via monitors in the office. The cameras are maneuvered with joysticks in order to zoom in on the containers' details and on the railway tracks. This practice is more time efficient than if the operators were to follow and examine each container on site.



AXIS 2091MFD-R



The Axis share

Axis' ambition is to continually provide the financial market, owners and other interested parties with correct, consistent and relevant information with the aim of increasing understanding of the company and to comply with the regulations for listed companies.

Axis was floated on the Stockholm Stock Exchange's O list on June 27, 2000. Since July 1, 2008, Axis has been listed on NASDAQ OMX Nordic, Mid Cap segment under the ticker AXIS.

Communication with the market

Representatives from Axis regularly meet analysts, lenders and shareholders in order to provide a continuous view of the development during the financial year. The published interim reports and the annual report are distributed to shareholders upon request. The documents may also be downloaded in PDF format from Axis' website through external providers, for example via Dagens Industri's website.

Press releases, interim reports and the year-end report are published on the website in Swedish and English in accordance with the regulations of the stock exchange.

Positive price trend

The global financial turmoil during 2009 resulted in a generally negative trend on the world's stock markets at the start of the year. The market climate improved during the latter part of the year and so did Axis' share price which increased by 46 percent in total during the year. During 2009, the Axis share had a turnover of 43,302,774 shares which gave an average turnover of 172,521 shares per trading day, at a value of SEK 11.4 M per day. Trading in the share took place on all trading days. The trading rate during the year was 0.62 times.

The final price paid on December 30, 2009 was SEK 83.75 (57.50). The highest price, SEK 89.50 was recorded on December 8. The lowest price of the year, SEK 36.80 was recorded on February 18. The average price during the year was SEK 66.83 (90.67). Axis'

market value as at December 30, 2009 was SEK 5,810 M (3,989), which corresponds to an increase of 46 percent during the year. OMX Affärsvärlden's general index rose by 49 percent during 2009.

Ownership

The number of shareholders at year-end was 17,571 (17,503). Each share in Axis gives entitlement to one vote.

The proportion of Swedish ownership amounted to 76.6 percent (77.0). The proportion of foreign-registered shares or foreign resident shareholders was unchanged, 23.4 percent (23.0).

The holdings of the ten largest owners represented 55.4 percent of the total number of shares. The largest individual owner is Therese Karlsson via LMK Industri (19.9 percent).

In the table on the next page, Axis' ownership is shown as at December 30, 2009.

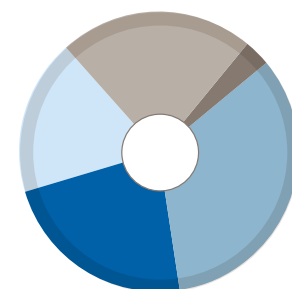
Dividend and dividend policy

Axis' dividend policy is to declare a dividend amounting to approximately one third of the profit for the year after tax, taking the Group's target equity/assets ratio into consideration. The Board of Directors proposes a dividend of SEK 4.00 (1.25) per share for the 2009 fiscal year, of which SEK 2.75 constitutes an extra dividend.

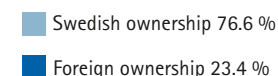
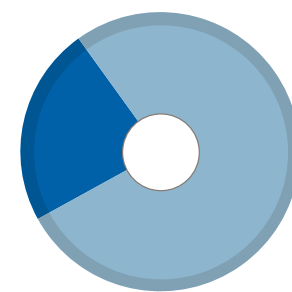
Options program

The number of options, and the dilutive effect a full exercise of the options would entail, is shown in note 16 on page 54.

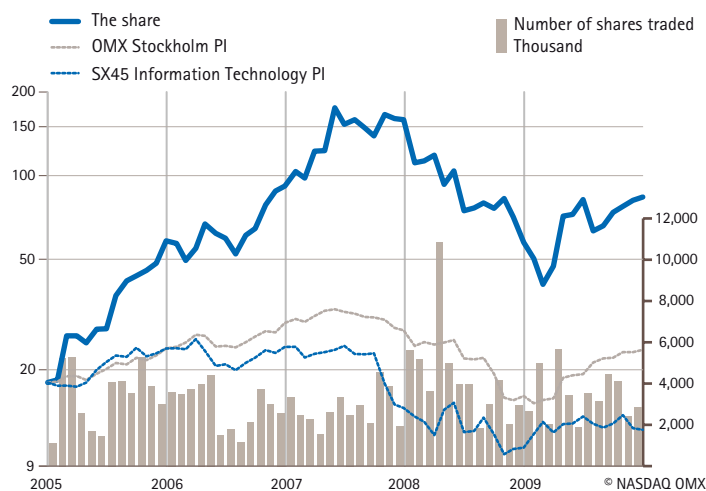
Ownership distribution



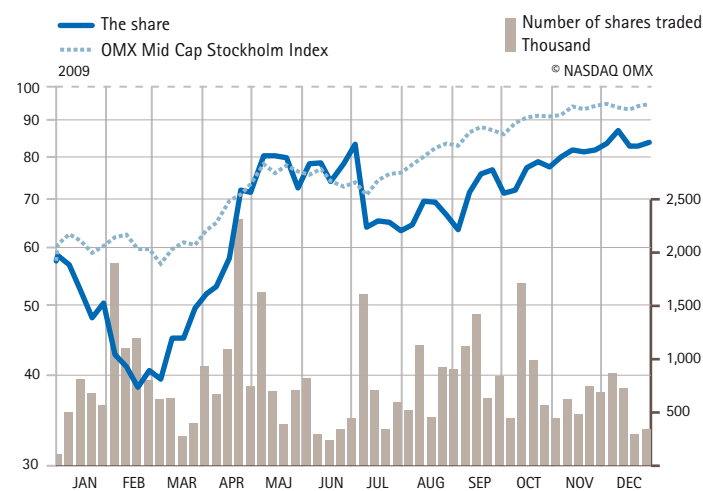
Swedish and foreign ownership



Axis share price trend 2005–2009



Axis share price trend during 2009



Shareholders

	Number of shares	Percentage
Therese Karlsson through LMK Industri AB	13,830,408	19.9
Inter Indu (Luxembourg)	9,316,667	13.4
Martin Gren through Grenspecialisten AB	7,157,471	10.3
Swedbank Robur	3,500,269	5.0
Didner Et Gerge Funds	2,919,916	4.2
Total 5 largest shareholders	36,724,731	52.8
Other	32,650,969	47.2
Total	69,375,700	100.0

Data per share

	2009	2008
Profit after financial items, SEK	4.4	4.9
Operative cash flow, SEK M	160.3	187.5
Cash flow, SEK	1.27	-2.46
Equity, SEK	8.77	6.36
Share price at the close of the period, SEK	83.75	57.50
Price/equity, percent	955	904
Dividend, SEK	1.25	4.50
P/E ratio	27	16
P/S ratio	2.53	2.0
Number of outstanding shares (thousands)	69,376	69,374
Average number of shares (thousands)	69,374	69,374

Trend in share capital

Year	Number of shares	Nominal amount (SEK)	Share capital (SEK)
1984	500	100.00	50,000
1985	5,040	100.00	504,000
1987	5,640	100.00	564,000
1997	564,000	1.00	564,000
1999	56,400,000	0.01	564,000
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

Ownership December 30, 2009

Holding	Number of shareholders	Number of shares	Holding (%)	Votes (%)	Market value (SEK, thousand)
1–500	12,525	2,140,641	3.09	3.09	179,279
501–1 000	2,553	2,248,530	3.24	3.24	188,314
1 001–5 000	1,973	4,712,383	6.79	6.79	394,662
5 000–10 000	268	2,078,060	3.00	3.00	174,038
10 001–15 000	67	842,680	1.21	1.21	70,574
15 001–20 000	33	599,191	0.86	0.86	50,182
20 001–	152	56,754,215	81.81	81.81	4,753,166
Total	17,571	69,375,700	100.00	100.00	5,810,215

Analysts

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

Carnegie	Charlotte Widmark/Fredrik Lithell
Enskilda Securities	Johanna Ahlqvist /Andreas Joelsson
E. Öhman j:or Fondkommission	David Jacobsson
Handelsbanken Capital Market	Fredrik Agardh
Nordea	Daniel Djurberg
Redeye	Greger Johansson
Swedbank	Håkan Wranne
Ålandsbanken	Mikael Laséen



Margareta Lantz
Manager Investor Relations &
Corporate Communications

Risks and risk management

Axis is an international Group, and is thereby exposed to a number of different risks in its everyday operations. The risks can be principally divided into external risk, business risks and financial risks.

The work on 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 risks are mainly handled at a group management and regional manager level.
- > Management and coordination of financial and insurable risks is mainly carried out at 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 division. Risks in the legal area are handled by Axis' specialists in cooperation with external lawyers and advisors.

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 the global macro-economic trend, like the majority of multinational companies. During 2009, the world economy was affected by a severe recession which impacted many companies' investment capabilities. This includes investments in network video, which have been deferred with more sluggish sales trends for Axis as a result. Axis works on the basis of detailed monthly sales forecasts and carefully monitors global trends in order to take the necessary measures when conditions change.

Increased terrorism and political turmoil in many countries, particularly in Asia and the Middle East, can naturally have a negative impact on Axis' global expansion. 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 risks

The market Axis focuses on is largely driven by a technology shift from older analog surveillance equipment to modern network technological solutions. Axis is market-leading on the global network video market and is a company undergoing strong expansion. The expansion plans are based on strategic assumptions and forecasts about the market trend. In the event that the technology shift proceeds at a slower pace than expected, it may

give competitors the opportunity to strengthen their market positions. Axis' strategy is to maintain the pace of the technology shift by continually training customers and system integrators in the benefits of network video and thereby increase understanding for the new technology. The training mainly takes place within Axis' different partnership programs and in the form of Axis Communications Academy.

Trust in and acceptance of new technology and applications in a premature market is particularly dependent on well-functioning products and solutions which deliver high quality and performance. Axis' research and development department continually work on developing new high technology products. The majority of Axis' products are built on the internally developed network and image compression chip, ARTPEC®. ARTPEC® is optimized and adapted for products and applications within network video, which gives Axis a distinct advantage compared with other players on the market. The quality is ensured through a well-defined quality and testing process as well as knowledgeable and careful suppliers. 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 competence and capacity perspective. Demand for electronics components on the world market increased at the end of 2009. Limited delivery capacity on the part of subcontractors may lead to general component shortages during the first half-year 2010.

The growing network video market is attracting more and more players which is leading to increasing competition. Several of the companies (including Sony, Pelco, Panasonic and Bosch) that were previously active within analog camera surveillance, are now gradually converting their product offerings to 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.

Under the prevailing macro-economic conditions, the risk exposure in relation to the group's customers is considered to have risen somewhat. 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.

Intellectual property risks

Exposure to intellectual property risks in the patents, IT and personnel areas is managed by Axis' specialists in collaboration with external lawyers and advisors.

Financial risks

Axis' finance policy prescribes how responsibility for financing activities is allocated within the group, which financial risks the group is prepared to accept, as well as guidelines for limiting these risks. The Treasury Department within Axis AB has principal responsibility for the group's financial activities and for ensuring that the finance policy is adhered to. The Treasury Department operates as an inter-company bank, with the task of ensuring that the group has credit facilities, that the subsidiaries have the required operating liquidity and that the group's foreign risks are monitored. The Treasury Department does not have its own risk mandate. All currency hedging within the group is carried out via the Treasury Department. Financial risks are divided into the following categories:

- > Foreign exchange risk: the risk that currency fluctuations produce a negative impact on the group's results.
- > Interest rate risk: the risk that fluctuations in market interest rates may have a negative impact on the group's results.
- > Financing risk: The risk that it may not be possible to renew credit facilities, and that this would affect the group's liquidity.
- > Counterparty risk: the risk that the group's financial counterparties may not be able to fulfil their obligations, and that this would have a negative impact on the group's results.

Foreign exchange risk

The group's strong international character with subsidiaries and sales offices in more than 20 countries, customers in more than 70 countries and sourcing and production in a number of countries results in foreign exchange flows in several different currencies. Apart from a number of minor currencies involving insignificant flows for the Axis group, the group's main currencies are the US dollar and the Euro. A considerable part of the foreign exchange flows can be matched off by the group's centralized treasury department. The group's foreign subsidiaries largely operate as local sales companies with limited net investment on the part of the parent company.

Axis' finance policy defines how foreign exchange risk is to be monitored and managed. Foreign exchange risk is divided into two main categories:

- > Transaction 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
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.

A decision was taken at the start of 2010 to discontinue the currency hedging policy applied during the 2009 fiscal year and to change instead to only hedging flows on a project basis.

Transaction risk

Until December 2009 under the finance policy, transaction risk should be reduced through currency hedging of the next twelve months' expected net cash flow. Hedging for the next two months took place within the range 80–100 percent of the exposure, and within the range 0–50 percent for the next 3–12 months. The finance policy stated that a five-percent movement in

the exchange rate in relation to the Swedish krona should not affect results by more than SEK 0.5 million. Historical exchange rate flows are followed up monthly in arrears. From the start of 2010 hedging of foreign exchange flows only takes place on a project basis.

Translation risk

The group's equity may be affected, among other things, by exchange rate fluctuations on investments in subsidiaries. To reduce the risk of negative effects, the finance policy stipulated until December 2009 that 80–100 percent of the exposure should be hedged. During 2009, net investment in subsidiaries in Japan and the US was hedged. From the start of 2010 investments in subsidiaries are not hedged.

Interest rate risk

The finance policy states that the Treasury Department must minimize interest-rate expense as much as possible. The interest rate risk in the excess cash and cash equivalents is handled so that the average interest rate on all investments must not exceed six months. Under the finance policy, the Treasury Department may employ interest rate derivatives to ensure that interest rates on credit facilities do not fluctuate by more than two percentage points over one year. The interest-rate risk for 2009 was marginal, since the credit facilities were unutilized throughout the whole of 2009.

Financing risk

The finance policy states that the Treasury Department must ensure that the group always has credit facilities with at least one bank. Axis must have access at all times to ten percent of sales in cash and cash equivalents or unutilized credit facilities. On December 31, 2009, Axis had SEK 302 in cash and cash equivalents, as well as unutilized credit facilities of SEK 200 M, compared with SEK 213 M and SEK 200 M respectively on December 31, 2008.

The 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 six months. As of December 31, 2009, SEK 40 million was invested in fixed-interest securities with an average term of 2.9 months. The corresponding figures on December 31, 2008 were SEK 60 million and 0.4 months.

Counterparty risk

The management of counterparty risk is controlled by the finance policy which states that the long-term rating must not be below Moody's A or Standard & Poor's A. The short-term rating must be Moody's P-1 or Standard & Poor's K-1 or A-1.

Sensitivity analysis

The following table indicates the effect of the most important factors on Axis' results for the fiscal year 2009. Apart from currency exposure, the factors assessed as having the greatest effect on results are purchase prices and salary expenses.

Factor	Change, %	Effects on operating result, SEK M
Currency, SEK/USD	+/- 5	+/- 18
Currency, SEK/EUR	+/- 5	+/- 26
Purchases	+/- 5	+/- 39
Personnel	+/- 5	+/- 26

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Administration report

The Board of Directors and the President & CEO of Axis AB (publ.) 556241-1065 submit the following annual financial statements and consolidated financial statements for the fiscal year January 1, 2009–December 31, 2009. All amounts are shown in SEK millions unless otherwise stated. Data in brackets refers to the previous year.

Operations

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 and 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 NASDAQ OMX Stockholm, under the ticker AXIS. For more information about Axis, please visit our website at www.axis.com.

Significant events

The network video market continued to grow during the year, however, at a slower rate than the preceding year, driven by the technology shift from analog to digital solutions. As the financial crisis stabilized, it has led to a stabilization in demand for network video products. Notwithstanding the economic downturn, 2009 closed strongly with good growth. In the Video product area, Axis strengthened and advanced its position as market leader with sales growth of 19 percent. The market presence was strengthened by reinforcing sales resources with Axis' own personnel on both established and on new geographical markets. Axis has continued to pursue geographically diversified recruitment where the sales people operate from "home offices" both on the established markets and on emerging markets.

A high pace of product development has continued throughout 2009. Several new innovative products offering better performance and increased intelligence were introduced and received positively by the market. In total more than 20 new models and a number of variants were introduced. Generally distinguishing features of the new products are the image compression standard H.264, "ease of use", HDTV resolution and local storage. The H.264 standard more than halves the bandwidth and storage capacity requirements compared with the previous MPEG-4 standard. Several of the products in 2009 were released under the concept "ease of use", which is focused on the installation and operation of the product. By developing products such as those ready for outdoor mounting, the installation costs may be reduced significantly. The AXIS Q6032E model may be mentioned as an example of a ready for use outdoor camera which is IP66 classified and through "Arctic temperature control" also has a guaranteed temperature range down to minus 40 degrees centigrade. The image quality is appreciably better with HDTV resolution video streams than with the corresponding analog products which will probably lead to an increase in the pace of the shift towards digital solutions. The fourth parameter, local storage, contributes to a lower overall cost and, in certain instances, more secure handling of stored data.

The interest in network video is well spread over a number of sectors and application areas. During the year, several exciting deals were completed with major chain stores, school districts and within the transportation sector.

Sales within the mature product area, Print, stagnated further during the year. The fall is largely due to the maturity of the market for print servers which impacted Axis' own brand sales and OEM sales negatively.

The close collaboration with partners, distributors, resellers and application developers continued during 2009. 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 30,000 system integrators and 750 application developers had participated in the various programs.

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. During 2009, Axis initiated work on the first life cycle analysis in order to map out the environmental consequences of an Axis product during its entire life cycle. The survey is a pilot project which aims to establish a method for using life cycle analyses in the product development process.

Research and development

During 2009, 16.1 percent (14.9) of the Group's sales were invested in research and development in both hardware and software. The research and development expenses have increased by SEK 63 M compared with the preceding year and amounted to SEK 332 M (269). Development work expenditure totaling SEK 38 M (26) was capitalized during the year. The capitalization principle is described further in note 2 to the financial statements. Axis' technology is based on the internally-developed ASIC (Application Specific Integrated Circuit) platforms, which are at the heart of Axis' products. The ARTPEC chips are optimized for effective image processing and image compression and are found in the majority of Axis' products. In conjunction with Axis' software platforms, they form a very flexible technology base on which world leading products can be developed, rapidly and cost effectively. Work on development of future generations of ARTPEC continued during 2009.

Axis conducts an active patent strategy in order to safeguard investments in core technology and intellectual capital. During the year, applications for four new patent families were filed, chiefly within image processing and network technology. Thirteen national patents and a number of registered designs were granted during 2009. Axis currently holds 71 active patent and registered design families.

The exposure to intellectual property risks 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, but these have not had any material consequences for Axis.

Research efforts are entirely 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 carried out largely as an industrial undertaking in various national and local research programs.

Personnel

The recruitment rate was slightly lower than 2008. At the end of the year, the number of employees totaled 774, which is a net increase of 58 people since December 31, 2008. Most of the increase took place in sales and marketing as well as research and development. Of the staff, 502 (460) work in Sweden and 272 (256) in other countries.

Financing and cash flow

Axis had a total of SEK 502 M at its disposal on December 31, 2009, of which cash and cash equivalents amounted to SEK 302 M and unutilized credit facilities totaled SEK 200 M. Consequently, Axis is in a very strong financial position approaching 2010. Cash flow from operating activities amounted to SEK 224 M (231). The increase in trade receivables during 2009 was mainly due to very strong sales during the fourth quarter. Net investments for the year totaled SEK 63 M (53) and total cash flow amounted to SEK 88 M (-171).

Investments

Investments in property, plant and equipment totaled SEK 24 M (27), and in intangible assets, SEK 38 M (26). Net investments for the year according to the consolidated cash flow statement amounted to SEK 63 M (53).

Ownership

Axis AB's share capital at the end of the fiscal year amounted to SEK 693,757, distributed among 69,375,700 shares of a par value of SEK 0.01. All shares are of the same class. Upon full exercise of outstanding warrants, the dilutive effect is 0.22 percent. Axis AB had 17,571 shareholders at the end of the fiscal year. The five largest shareholders at the end of the fiscal year accounted for 53 percent of both votes and capital.

	Number of shares	Share of equity and votes
T Karlsson, privately and via company (LMK Industri AB)	13,830,408	19.9 %
C Brandberg, privately and via company (Inter Indu SPRL)	9,316,667	13.4 %
M Gren, via company (Grens specialisten AB)	7,157,471	10.3 %
Robur	3,500,269	5.0 %
Didner & Gerge Funds	2,919,916	4.2 %
Other	32,650,969	47.2 %
Total	69,375,700	100.0 %

Change in control clause

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

Results and position

Sales during the year totaled SEK 2,301 M (1,975) which represents growth of 17 percent compared with the preceding year. Exchange differences had a positive impact on sales of SEK 275 M. The Video product area increased sales by 19 percent from SEK 1,885 M to SEK 2,245 M while

sales in the Print product area fell by 16 percent to SEK 39 M. The gross margin fell slightly at the end of the year due to increased competition during the year on a weakening market, and amounted to 53.7 percent compared with 55.0 percent for 2008.

The Group's operating profit amounted to SEK 308 M (341), which is a decrease of SEK 33 M compared with the preceding year. The operating margin decreased from 17.2 percent in 2008 to 13.4 percent for 2009. Currency effects impacted operating profit positively by SEK 37 M. Profit after financial items totaled SEK 307 M (340), representing a decrease of SEK 33 M compared with the preceding year.

Condensed income statement

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Total 2009
Net sales, SEK M	531.6	542.2	568.0	658.8	2,300.7
Gross profit, SEK M	296.7	296.7	297.0	345.8	1,236.2
Gross margin, %	55.8	54.7	52.3	52.5	53.7
Operating profit, SEK M	46.4	46.4	94.6	120.6	308.1
Operating margin, %	8.7	8.6	16.7	18.3	13.4
Profit after financial items, SEK M	46.2	46.0	94.3	120.1	306.7
Profit margin, %	8.7	8.5	16.6	18.2	13.3

Group Key Ratios

	2009	2008	2007	2006	2005
Net sales, SEK M	2,300.7	1,974.8	1,671.3	1,202.5	895.1
Profit after financial items, SEK M	306.7	339.8	367.4	222.4	127.6
Balance sheet total, SEK M	1,118.3	859.3	914.4	789.3	580.2
Equity/assets ratio, %	54.2	51.3	60.4	63.5	70.2
Return on total assets, %	31.2	38.4	43.2	32.6	24.4
Return on equity, %	43.2	49.3	50.3	35.3	24.6
Earnings per share before dilution, SEK	3.10	3.64	3.73	2.28	1.32
Earnings per share after dilution, SEK	3.10	3.63	3.73	2.27	1.32
Shares before dilution, thousands (average)	69,376	69,374	69,315	69,084	69,906
Shares after dilution, thousands (average)	69,423	69,452	69,426	69,220	69,121
Number of employees at year-end	774	716	564	446	391

Definitions are presented in note 29.

The formal work plan of the Board of Directors

The board consists of five members elected by the annual general meeting. The board held eight meetings during the fiscal year. The work of the board follows an annual agenda and is otherwise governed by the formal work plan adopted by the board covering the division of work between the board and the President and CEO.

The main duties of the audit committee are to monitor the routines for both financial reporting and internal control and compliance with associated laws and provisions, as well as to monitor the audit in the group. The audit committee shall report to the board on an ongoing basis. The company's CFO and external auditors may participate in meetings. The audit committee was appointed at the statutory meeting following the annual general meeting and in 2009 was composed of Göran Jansson (chairman and convener), Charlotta Falvin, Martin Gren, Olle Isberg and Lars-Erik

Nilsson. The committee held three meetings during the year in which all members participated. Contacts between the company's board and the auditors have taken place through audit meetings between the chairman of the board, the chairman of the audit committee and the auditors. The auditors also participated in two board meetings and two audit committee meetings during the year.

The board has appointed a remuneration committee whose principal task is to prepare decisions for the board in relation to guidelines surrounding salaries and other terms of employment for the staff, the President and CEO, and those members of the board who receive remuneration other than the fees set by the annual general meeting. Lars-Erik Nilsson and Olle Isberg served as members of the remuneration committee. Remuneration to senior executives may be seen in note 19, Personnel.

Axis' nominating committee consists of representatives of the three largest shareholders, Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu SPRL) and Martin Gren (AB Grens specialisten). Christer Brandberg is the chairman and convener of the nominating committee.

Articles of Association

According to the company's articles of association, Axis' nominating committee shall propose new board members, who are appointed by the annual general meeting. Amendment of the company's articles of association may only take place by resolution of the annual general meeting.

Proposal regarding principles for determining salaries and other remuneration to the President and other members of the management team

Proposal regarding principles for determining salaries and other remuneration to the President and other members of the management team. For information regarding the principles of remuneration for 2009, please refer to note 19, Personnel.

Remuneration to the President and other members of Axis AB's management team (that is, the seven persons who jointly with the President comprise the Group Management) comprises basic salary, variable salary and pension. Other benefits and other remuneration are received on the same basis as for other employees.

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

Bonus to the President and other senior executives is based on the financial goals for the Group as is calculated as a function of the sales growth and the operating margin. The bonus to the President is maximized at 240 percent of the annual salary (for 2010) and for the other senior executives the highest individual bonus amount is a maximum of 80 percent of the annual salary (for 2010).

The retirement age for the President is 65. Pension insurance premiums 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 pre-

mium of 25 percent is paid. The ITP agreement is applied for other senior executives with a retirement age of 65.

In the event of termination of employment, a six-month mutual termination period applies for the President. In the event of termination of employment of the President by the company, termination benefits corresponding to twelve cash monthly salaries are payable after the expiry of the termination period. Other income is not deducted from the termination benefits. 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. Deviations from the principles specified above may be decided by the board of directors, if there are specific reasons in individual cases.

Significant risks and uncertainties

Axis is an international group, and is thereby exposed to a number of different risks in its everyday operations. The risks can be principally divided into external risk, business risks and financial risks. The work of managing and adapting to the risk exposure that the group is subject to, continues on an ongoing basis. The external risk is mainly handled at a group management and board level, whereas business risks are usually handled at a group management and regional management level. The function-specific risks in the company-wide functions, Finance, IT/systems, HR and Operations are handled and coordinated within each division. Management and coordination of financial and insurance risks is mainly carried out by the group's finance department. Risks in the legal area are handled by Axis' specialists in consultation with external lawyers and advisors. 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 the global macro-economic trend like the majority of multinational companies. During 2008, the world economy has been hit by a sharply negative trend which also impacted many companies' investment capabilities during the year. This includes investments in network video, which have been deferred with more sluggish sales trends for Axis as a result. Axis works on the basis of detailed monthly sales forecasts and carefully monitors global trends in order to take the necessary measures when conditions change.

Increased terrorism and political turmoil in many countries, particularly in Asia and the Middle East, can naturally have a negative impact on Axis' global expansion. 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 risks

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

Trust in and acceptance of new technology and applications in a premature market is particularly dependent on well-functioning products and solutions which deliver high quality and performance. Axis' research and development department work continually to develop new high technology products. The majority of Axis' products are built on the internally developed network and image compression chip, ARTPEC. ARTPEC is optimized and adapted for products and applications within network video, which gives Axis a distinct advantage compared with other players on the market. The quality is ensured through a well-defined quality and testing process as well as through knowledgeable and careful suppliers. 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 competence and capacity perspective. Demand for electronics components on the world market increased at the end of 2009. Limited delivery capacity on the part of subcontractors may lead to general component shortages during the first half-year 2010.

The growing network video market is attracting more and more players which is leading to increasing competition. Several of the companies (including Sony, Pelco, Panasonic and Bosch) that were previously active within analog camera surveillance, are now gradually converting their product offerings to digital technology. Market shares and market leadership may be maintained through careful competitive intelligence, a capable global sales force as well as vigorous and rapid product development.

Under the prevailing macro-economic conditions, the risk exposure in relation to the group's customers is considered to have risen somewhat. The group finance function continually monitors days sales outstanding, payment behaviour 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.

The exposure to intellectual property risks within the patents, IT and personnel areas is managed by Axis' specialists in collaboration with external lawyers and advisors.

Financial risks

The group's international operations involve a number of financial risks which are handled according to the policies adopted by the board. The overriding goal of the group's finance function is to provide financing to group companies on an ongoing basis so that the effects on the group's results are minimized. The group is primarily exposed to financing, foreign

exchange and credit risks. Interest rate risk is assessed as being limited. For further information refer to note 3 to the financial statements.

Outlook

After a year of considerable uncertainty regarding market trends and where the day-to-day work was carried out subject to a very short time horizon, it may be stated that several of the uncertainties now appear to have stabilized. There is a risk of supply disruptions during the first half-year 2010 due to component shortages. Notwithstanding the stabilization, the immediate future is still difficult to judge and it is unclear when and how the recovery of the network video market will occur.

Some factors are clear, however:

- > The long-term shift from analog video solutions to network systems continues to imply strong long-term growth potential for Axis' products.
- > With a broad and constantly growing product portfolio and a very competitive offering to the market, Axis is well-equipped for the future.
- > The broad and large network of partners means that Axis is well-represented and can offer customized solutions on most markets.

Axis' overall goals remain unchanged. Axis' goal is to strengthen the company's position as the market-leading supplier of network video solutions. To maintain market shares and its leading position as well as to meet the increasing competition on the market, Axis will continue to pursue its focused strategy during the year. This strategy includes the launch of innovative network video products, the advancement of partnerships, as well as expansion and recruitment.

The 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 355 M (246).

Proposed appropriation of profits in the Parent Company

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

Profit brought forward and other non-restricted reserves	SEK 188,382,578
Net profit for the year	SEK 202,632,303
Total	SEK 391,014,881

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 4.00 per share shall be paid to shareholders	SEK 277,502,800
carried forward	SEK 113,512,081
Total	SEK 391,014,881

The board anticipates a continued positive trend during the 2010 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 (Consolidated income statement)

	Note	2009	2008	2007
Net sales	4	2,300.7	1,974.8	1,671.3
Cost of goods and services sold		-1,064.5	-887.7	-747.9
Gross profit		1 236.2	1 087.1	923.4
Other income and changes in value	8	-49.2	8.8	7.2
Selling and marketing expenses		-455.5	-403.8	-307.5
Administrative expenses		-91.3	-82.9	-61.7
Research and development expenses		-332.1	-268.6	-193.4
Operating profit	6, 7, 8	308.1	340.6	368.1
Financial expenses		-1.4	-0.8	-0.7
Profit before tax		306.7	339.8	367.4
Tax	9	-88.9	-87.4	-108.6
NET PROFIT FOR THE YEAR		217.8	252.4	258.8
Other comprehensive income				
Cash flow hedges	17	37.7	-36.0	-5.5
Net investment hedge	17	5.1	-18.4	5.2
Exchange differences	17	-6.6	3.9	-3.4
Other comprehensive income for the year, net after tax		36.2	-50.5	-3.7
Total comprehensive income for the year		254.0	201.9	255.1
Net profit for the year attributable to:				
The parent company's shareholders		217.8	252.4	258.8
Total comprehensive income attributable to:				
The parent company's shareholders		254.0	201.9	255.1
Earnings per share before dilution, SEK	10	3.14	3.64	3.73
Earnings per share after dilution, SEK		3.14	3.63	3.73
Number of shares before dilution, average, thousands		69,374	69,374	69,315
Number of shares after dilution, average, thousands		69,423	69,452	69,426
Proposed dividend, SEK		4.00	1.25	4.50

The items in the above statement are recognized net after tax. Disclosure is made in note 9 of the tax that is attributable to each component in other comprehensive income.

The parent company's income statement

	Note	2009	2008	2007
Net sales		10.9	23.6	13.9
Gross profit		10.9	23.6	13.9
Administrative expenses		-14.3	-26.3	-16.6
Operating profit		-3.4	-2.7	-2.7
<i>Profit from financial investments</i>				
Profit from participations in group companies	23	306.4	351.4	318.1
Interest income and similar profit/loss items	24	132.7	30.3	30.8
Interest expenses and similar profit/loss items	25	-80.3	-133.1	-22.9
Profit after financial items		355.4	245.9	323.3
Change in tax allocation reserve		-76.2	-78.5	-84.7
Tax	9	-76.6	-50.4	-67.9
NET PROFIT FOR THE YEAR		202.6	116.9	170.7

Consolidated balance sheet

ASSETS	Note	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Non-current assets				
Property, plant and equipment	5	42.9	38.9	24.2
Intangible assets	5	79.7	61.4	62.7
Other financial assets	14	8.3	5.6	4.1
Total non-current assets		130.9	105.8	91.0
Current assets				
Inventories	12	224.0	248.7	166.1
Trade receivables and other receivables	13	459.2	274.6	273.2
Derivative instruments	22	2.4	2.2	-
Current tax receivables		-	14.6	-
Cash and cash equivalents	15	301.8	213.4	384.1
Total current assets		987.4	753.4	823.4
TOTAL ASSETS		1 118.3	859.3	914.4

The parent company's balance sheet

ASSETS	Note	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Non-current assets				
<i>Financial assets</i>				
Participations in subsidiaries	26	0.7	0.7	0.7
Deferred tax receivables	11	0.8	17.3	1.7
Other financial assets		1.6	1.6	1.6
Total financial assets		3.1	19.6	4.0
Total non-current assets		3.1	19.6	4.0
Current assets				
<i>Receivables</i>				
Receivables from group companies		529.5	364.6	631.6
Tax receivables		-	14.7	-
Other receivables		-	-	0.0
Prepaid expenses and accrued income		0.6	0.4	0.4
Total receivables		530.1	379.7	632.0
<i>Cash and bank balances</i>				
Cash and bank balances	15	146.9	132.5	296.7
Total cash and bank balances		146.9	132.5	296.7
Total current assets		677.0	512.2	928.7
TOTAL ASSETS		680.1	531.8	932.7

Consolidated balance sheet

EQUITY AND LIABILITIES	Note	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Equity				
<i>Capital and reserves</i>				
Share capital	16	0.7	0.7	0.7
Share premium		275.0	275.0	275.0
Other reserves	17	-0.6	-36.8	13.7
Retained earnings		333.3	202.2	262.0
Total equity		608.4	441.1	551.4
Liabilities				
<i>Non-current liabilities</i>				
Borrowing	18	0.1	0.3	5.7
Retirement benefit obligations	19	0.6	0.4	0.3
Deferred tax liabilities	11	49.6	23.0	28.7
Other provisions	20	11.4	7.0	5.4
Total non-current liabilities		61.7	30.8	40.1
<i>Current liabilities</i>				
Trade payables and other liabilities	21, 11	425.4	318.7	291.1
Current tax liabilities		17.4	0.8	25.8
Derivative instruments	22	5.4	67.9	6.0
Total current liabilities		448.2	387.4	322.9
Total liabilities		509.9	418.1	363.0
TOTAL EQUITY AND LIABILITIES		1,118.3	859.3	914.4
MEMORANDUM ITEMS				
<i>Pledged assets</i>		NONE	NONE	NONE
<i>Contingent liabilities</i>		NONE	NONE	NONE

The parent company's balance sheet

EQUITY AND LIABILITIES	Note	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Equity	16			
<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>				
Share premium reserve		-	-	8.6
Profit brought forward		188.4	158.1	290.9
Net profit for the year		202.6	116.9	170.7
Total non-restricted equity		391.0	275.0	470.2
Total equity		391.7	275.7	470.9
Untaxed reserves				
Tax allocation reserve		263.6	187.4	108.9
Total untaxed reserves		263.6	187.4	108.9
Liabilities				
<i>Current liabilities</i>				
Liabilities to group companies		1.1	0.8	322.8
Tax liabilities		18.7	-	21.4
Other liabilities		0.2	1.0	0.5
Accrued expenses and deferred income	22	4.8	66.9	8.3
Total current liabilities		24.8	68.7	353.0
Total liabilities		24.8	68.7	353.0
TOTAL EQUITY AND LIABILITIES		680.1	531.8	932.7
MEMORANDUM ITEMS				
<i>Pledged assets</i>		NONE	NONE	NONE
<i>Contingent liabilities</i>	27	0.2	6.7	6.0

Consolidated statement of changes in equity

	Attributable to the parent company's shareholders				Total equity
	Share capital	Share premium	Other reserves	Retained earnings	
Opening balance as at January 1, 2007	0.7	271.7	17.4	211.2	501.0
Comprehensive income					
Net profit for the year	-	-	-	258.8	258.8
Other comprehensive income					
Other adjustments	-	-	-	-0.2	-0.2
Cash flow hedges, after tax	-	-	-7.1	-	-7.1
Net investment hedge, after tax	-	-	6.8	-	6.8
Exchange differences	-	-	-3.4	-	-3.4
Total other comprehensive income	-	-	-3.7	-0.2	-3.9
Total comprehensive income	-	-	-3.7	258.6	254.9
Transactions with owners					
New issue on exercise of options	0.0	3.3	-	-	3.3
Dividend in respect of 2006	-	-	-	-207.8	-207.8
Total transactions with owners	0.0	3.3	-	-207.8	-204.5
Closing balance as at December 31, 2007	0.7	275.0	13.7	262.0	551.4
Opening balance as at January 1, 2008	0.7	275.0	13.7	262.0	551.4
Comprehensive income					
Net profit for the year	-	-	-	252.4	252.4
Other comprehensive income					
Cash flow hedges, after tax	-	-	-36.0	-	-36.0
Net investment hedge, after tax	-	-	-18.4	-	-18.4
Exchange differences	-	-	3.9	-	3.9
Total other comprehensive income	-	-	-50.5	-	-50.5
Total comprehensive income	-	-	-50.5	252.4	201.9
Transactions with owners					
New issue on exercise of options	0.0	0.0	-	-	0.0
Dividend in respect of 2007	-	-	-	-312.2	-312.2
Total transactions with owners	0.0	0.0	-	-312.2	-312.2
Closing balance as at December 31, 2008	0.7	275.0	-36.8	202.2	441.1
Opening balance as at January 1, 2009	0.7	275.0	-36.8	202.2	441.1
Comprehensive income					
Net profit for the year	-	-	-	217.8	217.8
Other comprehensive income					
Cash flow hedges, after tax (note 9)	-	-	37.7	-	37.7
Net investment hedge, after tax (note 9)	-	-	5.1	-	5.1
Exchange differences	-	-	-6.6	-	-6.6
Total other comprehensive income	-	-	36.2	-	36.2
Total comprehensive income	-	-	36.2	217.8	254.0
Transactions with owners					
New issue on exercise of options	0.0	0.0	-	-	0.0
Dividend in respect of 2008	-	-	-	-86.7	-86.7
Total transactions with owners	0.0	0.0	-	-86.7	-86.7
Closing balance as at December 31, 2009	0.7	275.0	-0.6	333.3	608.4

The parent company's change in equity

	Share capital	Share premium	Profit brought forward	Net profit for the year	Total equity
Equity at December 31, 2006	0.7	5.3	355.6	143.1	504.7
Reversal of net profit for the year	-	-	143.1	-143.1	-
New issue on exercise of options	0.0	3.4	-	-	3.4
Dividend	-	-	-207.8	-	-207.8
Net profit for the year	-	-	-	170.7	170.7
Equity at December 31, 2007	0.7	8.7	290.9	170.7	471.0
Reversal of net profit for the year	-	-	170.7	-170.7	-
New issue on exercise of options	0.0	-	-	-	0.0
Dividend	-	-8.7	-303.5	-	-312.2
Net profit for the year	-	-	-	116.9	116.9
Equity at December 31, 2008	0.7	-	158.1	116.9	275.7
Reversal of net profit for the year	-	-	116.9	-116.9	-
New issue on exercise of options	0.0	-	-	-	0.0
Dividend	-	-	-86.6	-	-86.6
Net profit for the year	-	-	-	202.6	202.6
Equity at December 31, 2009	0.7	-	188.4	202.6	391.7

Number of shares as at December 31, 2009 totaled 69,375,700. The par value was SEK 0.01 per share.

At the annual general meeting on April 21 a dividend of SEK 4.00 per share in respect of 2009 will be proposed. During 2009, SEK 1.25 per share was paid in respect of the fiscal year 2008.

Consolidated statement of cash flows

	Note	2009	2008	2007
<i>Operating activities</i>				
Cash generated from operations	28	272.3	359.2	372.2
Financial expenses paid		-1.4	-0.8	-0.7
Taxes paid		-46.9	-127.0	-75.1
Cash flows from operating activities		224.0	231.4	296.4
<i>Investing activities</i>				
Acquisition of plant, property and equipment	5	-23.4	-27.1	-14.8
Acquisition of intangible assets	5	-37.7	-25.9	-13.0
Acquisition of subsidiaries and operations		-1.9	-	-
Investments in other financial assets		0.8	-2.3	-
Cash flows from investing activities		-62.2	-55.3	-27.8
<i>Financing activities</i>				
New issue		0.0	0.1	3.4
Dividend paid		-86.7	-312.2	-207.8
Amortization of loans		-0.3	-5.7	-
Net effect of derivative instruments		13.6	-29.0	6.5
Cash flows from financing activities		-73.4	-346.8	-197.9
Cash flow for the year		88.4	-170.7	70.7
Cash and cash equivalents at beginning of year		213.4	384.1	313.4
Change in cash and cash equivalents		88.4	-170.7	70.7
Cash and cash equivalents at end of year	15	301.8	213.4	384.1

The parent company's cash flow statement

	Note	2009	2008	2007
<i>Operating activities</i>				
Cash generated by operations	28	-276.0	34.6	117.5
Financial expenses paid		-80.3	-133.1	-22.9
Financial income received		132.7	30.3	30.8
Group contribution received	23	314.6	356.8	321.3
Shareholders' contribution paid	23	-8.2	-5.4	-3.3
Adjustment for group contribution not affecting cash flow		45.0	-33.4	-125.4
Taxes paid		-26.7	-101.8	-70.1
Cash flow from operating activities		101.1	148.0	247.9
<i>Financing activities</i>				
New issue		0.0	0.0	3.3
Dividend paid		-86.7	-312.2	-207.8
Cash flow from financing activities		-86.7	-312.2	-204.5
Cash flow for the year		14.4	-164.2	43.4
Cash and cash equivalents at beginning of year		132.5	296.7	253.3
Change in cash and cash equivalents		14.4	-164.2	43.4
Cash and cash equivalents at end of year		146.9	132.5	296.7

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 solutions. Axis is a Swedish company, which acts globally via its own offices in more than 20 countries and through collaboration with partners in more than 70 countries. The company was founded in 1984 and is listed on NASDAQ OMX Nordic, under the ticker AXIS.

These financial statements were approved by the Board of Directors on February 3, 2010.

Note 2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements for the Axis Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU, and also in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 1.1. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

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

The financial statements of the Parent Company have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's standard RFR 2.1.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

As far as Axis is concerned the following new and amended IFRS standards are deemed relevant and are adopted as of January 1, 2009;

IAS 1 (Revised) "Presentation of financial statements"

The standard has been revised and refers to changes in format and presentation of non-owner related changes in equity. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. In accordance with IAS, Axis has opted to present consolidated comprehensive income in a statement. Comparative information has been re-presented, so that it is also in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 'Financial instruments – Disclosures' (amendment)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRS 8, "Operating Segments"

This standard lays down how segments shall be presented and the standard replaces IAS 14 Segment reporting. According to the new standard, segment information shall be presented on the basis of the management approach. The introduction of IFRS 8 has not meant that the Group has identified new operating segments compared with before.

(b) Standards, amendments and interpretations of existing standards where the amendment has not yet become effective and has not been early adopted by the Group.

The following standards and interpretations of existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2010 or later periods, but the group has not early adopted them;

IFRS 3 (revised), "Business combinations" (effective from July 1, 2009)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net asset. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively for all business combinations from January 1, 2010 and will also then apply IAS 38 (amendment) which deals with intangible assets in connection with business combinations.

2.2 Consolidation

Subsidiaries are all the entities for which the Group has the power to govern the financial and operating policies generally accompanying a shareholding amounting to more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are to be included in the consolidated financial statements from and including the date on which control is transferred to the Group. They are to be de-consolidated from and including the date on which that control ceases.

The purchase method is used to account for the acquisitions of subsidiaries by Axis. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions and balance sheet items, as well as unrealized gains on transactions between group companies, are eliminated. Unrealized losses are also eliminated, unless the transaction constitutes evidence that an impairment need exists in relation to the assumed assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

The Axis Group implemented IFRS 8 Operating segments on January 1, 2009. IFRS 8, Operating segments replaces IAS 14 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 segment's results. In the group, this function has been identified as the management team. The introduction of IFRS 8 has not meant that the group has identified new operating segments compared with before.

2.4 Foreign currency translation

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

Subsidiaries' assets and liabilities are translated at the closing rate on the respective end of reporting period. Items in the income statement are translated at the exchange rate on the transaction date approximated to the average exchange rates. Translation differences are recognized directly against equity.

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 taken to shareholders' equity. In the event that a foreign operation is sold or disposed of, any such exchange differences are recognized in the income statement as part of the capital gain or loss on sale.

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

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

2.5 Inventories

Goods for resale are valued at the lower of cost (cost of the asset's acquisition or production excluding customs and freight) and the net realizable value (market value less estimated selling expenses) on the closing date using the FIFO principle. Internal profits on sales between group companies are eliminated.

2.6 Trade receivables

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

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

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 items. Cost may also include transfers from equity of gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. In the event that the recognized value 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

Axis' technology is based on the internally-developed ASIC (Application Specific Integrated Circuit) platforms, which are at the heart of Axis' products. Expenses closely associated with development of technology which is controlled by Axis, and which are likely to generate economic benefits in excess of expenses for more than three years, are recognized as intangible assets. Expenses which are closely associated with the production of software include personnel expenses for software development and a reasonable percentage of the attributable indirect expenses. Capitalized intangible assets are not subject to measurement at fair value. 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.

The development of new platforms is capitalized continuously over the development period, and is amortized on the basis of estimated useful life. Network applications based on these platforms, such as network cameras, print servers etc. are treated as adaptations of the core products. Adaptations of platforms for different network applications are not capitalized. Expenditure on research is charged to results in the period in which it is incurred.

Amortization is calculated on the original cost and is based on the estimated useful lives of the assets as follows:

Capitalized development work	3 years
Client register	3 years
Rights	5 years

Amortization starts when the asset is ready for use.

2.9 Impairment

Assets which have undetermined useful lives are not depreciated but are subject to an annual impairment test. 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 impairment needs before it is finally taken into use.

2.10 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, deposits held at call with banks, other short-term highly liquid 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, loans and receivables, financial instruments which are to be held to maturity and financial assets which are available for sale. The classification is dependent on the purpose for which the instrument was acquired. Management determines the classification of instruments at the first accounting date, and reviews this decision at every reporting date. All financial instruments are recognized from the transaction date.

For accounting of derivatives refer to note 3.2.

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

This category has two subcategories: financial assets which are held for trading, and financial assets which from acquisition are attributed to the category measured at fair value via the income statement. A financial asset is to be classified in this category if it was acquired principally for the purpose of selling in the short-term or if this classification is determined by the management. Derivative instruments are also categorized as being held for trading unless they are designated as hedges and realized and unrealized cash flow hedges with maturities within 60 days. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the end of the reporting period.

(b) Loans and receivables, which are measured at fair value.

Loans and 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 and receivables are included in the item Trade receivables and other receivables in the balance sheet (see note 13 Trade receivables and other receivables).

In determining fair value, where appropriate, information in respect of recent arms-length transactions, other instruments which are broadly similar and the discounted cash flow analysis are used.

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

2.12 Provisions

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

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

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 recognised, 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 apportioned the untaxed reserves between equity and deferred tax in the consolidated financial statements.

2.14 Cash flow statement

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

Contracts which matured during the year in respect of hedging of net investment are now presented under financing activities instead of operating activities. Comparative figures for 2007 and 2008 have been re-presented.

2.15 Leasing

Leasing charges are normally recognized as an expense during the lease period, and are treated as operational for accounting purposes.

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. Sales are recognized after the deduction of VAT, similar taxes and discounts, as well as after the elimination of sales within the group.

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

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

2.17 Borrowing costs

All borrowing costs are recognized as an expense as they arise

2.18 Share-based payments

The Axis Group has outstanding options programs, that are equity-settled, for its employees in the US. In the case of the programs issued to staff in the USA, the stock options are recognized as an expense equal to the fair value of the options as they are assigned to and earned by the employees during the term of the options. On the acquisition of stock options by employees, the funds received are transferred to other paid-up capital.

When the options are exercised, the share capital is increased by the quota value of every newly-issued share and the associated premium is transferred to other paid-up capital. Transaction costs which may be directly attributed to issue of new shares or options are recognized, net after tax, in equity as a deduction from the proceeds of the issue.

2.19 Pensions

The Axis Group has pension obligations which are classified both as defined benefit and defined contribution 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.

In the Swedish units, all pension obligations, apart from those relating to the President and CEO, are classified as defined benefit. In the foreign units, the pension obligations are classified as defined contribution.

The retirement and family pension obligations in respect of white-collar staff in Sweden are secured through insurance with the insurance company, Alecta. According to the Swedish Financial Reporting Board, statement UFR 3, this is a defined benefit plan which covers a number of employers. For the fiscal year 2009, the group does not have access to the information required to allow this plan to be reported as a defined benefit plan. The pension obligations are, therefore, recognized as a defined contribution plan.

2.20 Critical estimates and assessments for accounting purposes

Warranties

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

Intangible assets

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

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 rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investment of excess liquidity.

Through its operations, Axis is exposed to a number of different financial risks: a) market risk (including foreign exchange risk, price risk and interest rate 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.

Under the finance policy, transaction risk is to be minimized through currency hedging of the next 12 months' expected net cash flow. Currency hedging for the next two months will take place within the range 80–100 percent of the exposure, and within the range 30–50 percent for the next 3–12 months. The finance policy states that a five-percent movement in the exchange rate in relation to the Swedish krona should not affect results by more than SEK 1 M. Historical exchange rate flows are followed up monthly in arrears.

The translation risk in the group's equity is affected, among other things, by exchange rate fluctuations on investments in subsidiaries. To minimize the risk of negative effects, the finance policy prescribes that 80–100 percent of the exposure should be hedged. During 2009, net investment in subsidiaries in Japan and the US was hedged.

The value of forward contracts, currency swaps and currency options is calculated with the assistance of current spot and forward rates at the end of the reporting period. A summary is presented below of cash flow hedges for expected flows in 2010 and hedges of net investment as at Dec 31, 2009 and Dec 31, 2008.

Position Dec 31, 2009:

Currency type	Net investment			Cash flow hedges		
	Exposure	Total derivative	Hedged portion	Exposure	Total derivative	Hedged portion
EUR	-	-	-	72.6	36.7	51 %
JPY	170.2	140.0	82 %	-	-	-
USD	19.4	16.1	83 %	111.0	49.9	45 %

Position Dec 31, 2008:

Currency type	Net investment			Cash flow hedges		
	Exposure	Total derivative	Hedged portion	Exposure	Total derivative	Hedged portion
EUR	-	-	-	75.7	36.5	48 %
JPY	156.4	155.0	99 %	-	-	-
USD	7.3	7.2	99 %	76.4	24.4	32 %

Axis conducts a monthly effectiveness test to assess if the requirements for hedge accounting under IAS 39 are complied with. During 2009, all tests have shown that Axis lies within the allowed range for effectiveness in outstanding hedges.

A decision was taken at the start of the 2010 fiscal year to discontinue the currency hedging policy applied during the 2009 fiscal year and to change instead to only hedging flows on a project basis. Currency hedges already entered into will remain until maturity and are not expected to impact operating profit significantly.

Price risk arises when the Group's costs rise as a result of 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 rate risk as the risk that fluctuations in market interest rates have a negative impact on the Group's net financial income. The finance policy states that the treasury department must minimize interest rate expense as much as possible. The average fixed-term period for short-term financing must not exceed 6 months. Under the finance policy, the treasury department may deploy interest rate derivatives to ensure that interest rates are fixed on average for a

maximum of 6 months. The interest rate risk for 2009 was marginal, since the credit facilities were unutilized throughout the year.

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. As at December 31, 2009, SEK 40 M (60) was invested in fixed-interest securities with an average term of three months (less than one month). The interest rate 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 fiscal year 2009. Apart from currency exposure, the factors assessed as having the greatest effect on results are purchase prices and salary expenses.

Factor	Change, %	Effect on operating profit, SEK M
Currency, SEK/USD	+/-5	+/- 18
Currency, SEK/EUR	+/-5	+/- 26
Purchases	+/-5	+/-39
Personnel	+/-5	+/-26

b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with 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 A-1. If customers have been credit assessed by independent raters, these assessments are used. In cases where no credit assessment exists, a risk assessment is performed of the customer's credit worthiness where their financial position is considered as well as previous experience and other factors. Individual risk limits are adopted on the basis of internal or external credit assessments in accordance with the limits established by the board. The use of credit limits is regularly monitored. Advance payments or letters of credit are employed when the risk is considered too high.

For risk assessment of trade receivables see the age distributed accounts receivable ledger in note 13.

c) Liquidity risk

The Group's liquidity position is continuously analyzed in order to minimize liquidity risk. The finance policy states that the treasury department must ensure that the group always has credit facilities with at least one bank. Axis must have access at all times to ten percent of sales in cash and cash equivalents or unutilized credit facilities. On December 31, 2009, Axis had SEK 302 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 200 M, compared with SEK 213 M and SEK 200 M respectively on December 31, 2008. The interest rate on unutilized credit facilities was determined on December 31, 2009 on the basis of the changes in STIBOR.

The unutilized credit facilities of SEK 200 M apply up to and including December 30, 2010, extension takes place automatically by one year if notice of termination has not been given.

The credit facilities are contingent on special requirements of the banks. These requirements state that: a) the interest coverage ratio (profit after financial income and expense, increased by external interest expenses) in relation to external interest expenses measured every end of quarter as a rolling twelve-month value does not fall below 4; b) Net Debt/EBITDA (interest bearing liabilities less cash and bank balances and other short-term investments in relation to profit before net financial items, taxes, depreciation and impairments of non-current assets) measured every end of quarter as a rolling twelve-month value does not exceed 2. During 2009, no breaches have occurred in respect of the above requirements.

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

3.2 Recognition of derivative instruments and hedging measures

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

When the transaction is entered into, Axis documents the relationship between the hedging instrument and the hedged item, along with the objective of the risk management and the strategy for taking other hedging action. The Group also documents its assessment, both when the hedge instrument is taken out and during its term, of the effectiveness of the derivative instrument used in hedging transactions in the evening out of fluctuations in the fair value or cash flow for the hedged items. Should a hedging measure prove ineffective, recognition immediately takes place via the income statement (Other income and changes in value). Information on the fair value of different derivative instruments used for hedging purposes is provided in note 22. Changes in the hedging reserve in equity are shown in note 17.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the income statement (Other income and changes in value) together with any changes in the fair value of the asset or liability which are attributable to the hedged risk.

(b) Cash flow hedge

Axis also holds derivative financial instruments, primarily currency futures, with the aim of protecting sales and purchases in foreign currencies. Changes in the fair value of derivative instruments which are identified as cash flow hedges, and which fulfil the requirements for hedge accounting, are recognized in comprehensive income (and in equity). Amounts accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss (Other income and changes in value).

(c) Net investment hedge

Hedges of net investment in foreign operations are recognized in a similar way to cash flow hedges. Gains or losses in respect of hedging instruments attributable to the effective part of the hedge are recognized in equity, gains or losses attributable to the ineffective part are immediately recognized in the income statement. Accumulated gains and losses in equity are recognized in the income statement when the foreign operation is sold. In measuring the fair value of the hedge, the valuation effects from changes in foreign exchange rates are taken to equity, and the interest component is taken to the income statement.

For accounting policies regarding other financial instruments refer to note 2.11.

3.3 Fair value estimation

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 current purchase price is listed as the market price for Axis' financial assets, and the current selling price is used as the listed market price for financial liabilities.

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, for disclosure in notes, by discounting the future contracted cash flow at the current market interest rate available for the group for similar financial instruments.

The group applies the amendment of IFRS 7 for financial instruments, which are measured at fair value in the balance sheet from and including January 1, 2009. Thus disclosures are required of fair value measurements by level of the following

fair value measurement hierarchy: a) Quoted prices in active markets for identical assets or liabilities (level 1); b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value measurement of the majority of the group's financial instruments have characteristics which mean that they will be classified as level 2 in the fair value hierarchy. Disclosure about these is made in note 22 while others are found in note 14.

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, reduce or increase indebtedness.

Since 2007, Axis holds a AAA rating according to the credit information company Soliditet.

Note 4 Segment information

Business segments shall contain products which are subject to risks and returns which are different from other segments. This is not the case in the Axis Group. The Group's common technology platform is the basis for all products. The development and sales organisations, as well as customer groups, are almost identical for all products. In light of this, the Axis Group recognizes only one primary segment which is the common technology platform. Accordingly, the segment information consists of the Group as a whole.

Axis operates within different geographical areas where it supplies products within a special economic environment, which differs from the risks and returns applicable to units operating in other economic environments.

Net sales per geographical market	2009	2008	2007
EMEA (Europe, Africa, Middle East)	1,001.1	947.4	800.3
North & South America	1,085.4	852.5	714.3
Asia	214.2	174.9	156.7
	2,300.7	1,974.8	1,671.3

	Assets			Investments		
	2009	2008	2007	2009	2008	2007
EMEA (Europe, Africa, Middle East)	479.0	409.4	443.0	61.6	46.2	26.5
North & South America	429.7	264.9	323.0	1.2	5.7	-
Asia	78.7	79.9	69.7	1.0	1.1	1.0
	987.4	754.2	835.7	63.8	53.0	27.5

	Non-current assets		
	2009	2008	2007
EMEA (Europe, Africa, Middle East)	175.6	151.2	173.9
North & South America	6.7	7.8	3.0
Asia	4.5	4.8	3.2
	186.8	163.8	180.1

Note 5 Non-current assets

	Plant & equipment	Capitalized development	Rights/customer register	Other	Total
2007					
Accumulated acquisition value					
Balance brought forward as at January 1, 2007	90.8	71.9	20.7	7.7	100.3
Investments	14.8	14.6	-	-	14.6
Sales/disposals	-0.4	-	-	-7.7	-7.7
Reclassifications	-0.4	-	-	-	-
Translation differences	-1.0	-	-	-	-
Balance carried forward as at December 31, 2007	103.8	86.5	20.7	-	107.2
Accumulated depreciation and impairment					
Balance brought forward as at January 1, 2007	-72.8	-15.4	-13.8	-7.7	-36.9
Depreciation and impairment	-8.2	-12.6	-2.9	-	-15.5
Sales/disposals	0.4	-	-	7.7	7.7
Reclassifications	0.2	-	-	-	-
Translation differences	0.9	0.1	-	-	0.1
Balance carried forward as at December 31, 2007	-79.5	-27.9	-16.7	-	-44.6
Net carrying amount	24.3	58.6	4.0	-	62.6
2008					
Accumulated acquisition value					
Balance brought forward as at January 1, 2008	103.8	86.5	20.7	-	107.2
Investments	27.1	25.9	-	-	25.9
Sales/disposals	-4.1	-	-	-	-
Reclassifications	0.1	-	-	-	-
Translation differences	6.8	-	-	-	-
Balance carried forward as at December 31, 2008	133.7	112.4	20.7	-	133.1
Accumulated depreciation and impairment					
Balance brought forward as at January 1, 2008	-79.5	-27.9	-16.7	-	-44.6
Depreciation and impairment	-13.5	-24.3	-2.8	-	-27.1
Sales/disposals	3.7	-	-	-	-
Reclassifications	-0.1	-	-	-	-
Translation differences	-5.4	-	-	-	-
Balance carried forward as at December 31, 2008	-94.8	-52.2	-19.5	-	-71.7
Net carrying amount	38.9	60.2	1.2	-	61.4

	Plant & equipment	Capitalized development	Rights/customer register	Other	Total
2009					
Accumulated acquisition value					
Balance brought forward as at January 1, 2009	133.7	112.4	20.7	-	133.1
Investments	23.5	37.7	-	-	37.7
Sales/disposals	-1.7	-	-	-	-
Translation differences	-2.1	-	-	-	-
Balance carried forward as at December 31, 2009	153.4	150.1	20.7	-	170.8
Accumulated depreciation and impairment					
Balance brought forward as at January 1, 2009	-94.8	-52.2	-19.5	-	-71.7
Depreciation and impairment	-19.4	-18.2	-1.2	-	-19.4
Sales/disposals	1.7	-	-	-	-
Translation differences	2.0	-	-	-	-
Balance carried forward as at December 31, 2009	-110.5	-70.4	-20.7	-	-91.1
Net carrying amount	42.9	79.7	0.0	-	79.7

Note 6 Costs allocated by type of cost

	2009	2008	2007
Depreciation and impairment (note 5)	-38.8	-40.6	-22.0
Expenses for remuneration to employees (note 19)	-481.9	-420.0	-365.7
Cost of purchasing and handling goods for resale	-1,064.5	-887.7	-747.9
Operational leasing costs (rent)	-45.4	-39.1	-31.6
Other external costs	-312.9	-255.6	-143.2
	-1,943.5	-1,643.0	-1,310.4

Note 7 Audit fees

	2009	Group 2008	2007
Audit fees to Öhrlings PricewaterhouseCoopers	1.2	1.0	0.9
Other fees to Öhrlings PricewaterhouseCoopers	1.0	1.6	0.4
Audit fees to other auditors	1.5	1.1	0.7
Other fees to other auditors	1.7	1.3	1.1
	5.4	5.0	3.1

The term "Audit assignment" refers to auditing of the annual report and the accounts, as well as the administration by the Board of Directors and President and CEO, other tasks which fall upon the company's auditors to carry out, and advice or other assistance resulting from observations made during such audit or in the performance of the other tasks referred to. Everything else is "Other fees". The audit fees and other fees paid to the parent company's auditors have been charged in their entirety to the subsidiary company, Axis Communications AB.

Note 8 Other income and changes in value

	2009	Group 2008	2007
<i>Financial assets measured at fair value</i>			
Fair value, realized and unrealized losses exchange rate fluctuations	4.6	12.6	13.5
<i>Derivative instruments</i>			
Cash flow hedges	-55.8	-13.4	-13.6
Interest income	1.9	9.6	7.2
	-49.2	8.8	7.2

Note 9 Income tax

	Group			The Parent Company		
	2009	2008	2007	2009	2008	2007
Current tax	-78.2	-87.3	-81.9	-60.1	-66.0	-71.2
Deferred tax	-10.7	-0.1	-26.7	-16.4	15.6	3.3
	-88.9	-87.4	-108.6	-76.5	-50.4	-67.9
Recognized profit before tax	306.7	339.8	367.4	279.2	167.3	238.5
Theoretical tax (26.3 percent)	-80.7	-95.1	-102.8	-73.4	-46.8	-66.8
Recognized tax	-88.9	-87.4	-108.6	-76.5	-50.4	-67.9
Difference between theoretical and recognized tax	-8.2	7.7	-5.8	-3.1	-3.6	-1.1
<i>Due</i>						
Non-deductible expenses	-3.6	-0.4	-1.2	-3.2	-4.1	-1.1
Differences in tax rates	-4.6	6.3	-4.6	-	0.5	-
Adjustment of previous year's tax	0.0	1.8	-	-	-	-
<i>Deductible</i>						
Non-taxable income	0.0	0.0	0.0	0.1	-	-
	-8.2	7.7	-5.8	-3.1	-3.6	-1.1

The current tax rate for 2009 is 26.3 percent. For the comparative years the tax rate was 28 percent.

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

	2009			2008			2007		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Change in deferred tax due to altered Swedish tax rate	-	-	-	-	-	-	-	-	-
Cash flow hedges	51.2	-13.5	37.7	-48.8	12.8	-36.0	-7.6	2.1	-5.5
Hedging of new investment	6.9	-1.8	5.1	-25.7	7.3	-18.4	5.7	-0.5	5.2
Exchange differences	-6.6	-	-6.6	3.9	-	3.9	-3.4	-	-3.4
Other comprehensive income	51.5	-15.3	36.2	-70.6	20.1	-50.5	-5.3	1.6	-3.7
Current tax	-	-	-	-	-	-	-	-	-
Deferred tax (note 11)	-15.3	-	-15.3	20.1	-	20.1	1.6	-	1.6
	-15.3	-	-15.3	20.1	-	20.1	1.6	-	1.6

Note 10 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.

	The Parent Company		
	2009	2008	2007
Earnings attributable to the parent company's shareholders	217.8	252.4	258.8
Weighted average number of outstanding ordinary shares, thousands	69,374	69,374	69,315
Earnings per share before dilution, SEK	3.14	3.64	3.73

Earnings per share after dilution

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. The parent company has, on a number of occasions, issued stock option programs for staff, and these constitute the only potential dilutive effect. For the stock options, a measurement is made of the number of shares which could have been purchased at fair value (measured as the average market price of the parent company's shares during the year), for an amount equivalent to the monetary value of the subscription rights linked to the outstanding stock options. The number of shares as measured in accordance with the above is compared with the number of shares which would have been issued on the assumption that the stock options were exercised. If all outstanding stock option programs were exercised in their entirety, the maximum dilution would be 154,850 shares.

	The Parent Company		
	2009	2008	2007
Earnings attributable to the parent company's shareholders	217.8	252.4	258.8
Weighted average number of outstanding ordinary shares, thousands	69,374	69,374	69,315
Potential dilutive effect of outstanding stock option.	49	78	111
Weighted average number of outstanding ordinary shares after dilution, thousands	69,423	69,452	69,426
Earnings per share after dilution, SEK	3.14	3.63	3.73

Note 11 Deferred taxes

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			The Parent Company		
	2009	2008	2007	2009	2008	2007
<i>Deferred tax assets¹⁾</i>						
Property, plant and equipment and intangible assets	2.6	0.8	-	-	-	-
Financial instruments	3.1	19.5	0.5	0.8	17.3	1.7
Inventories	3.3	2.5	2.2	-	-	-
Accumulated loss carryforwards ²⁾	1.5	1.4	0.5	-	-	-
Other items	9.2	2.1	0.5	-	-	-
	19.7	26.3	3.7	0.8	17.3	1.7
<i>Deferred tax liabilities</i>						
Property, plant and equipment and intangible assets	-	-	1.8	-	-	-
Tax allocation reserve	69.3	49.3	30.5	-	-	-
	69.3	49.3	32.3	-	-	-
Deferred tax assets/tax liabilities ³⁾	-49.6	-23.0	-28.6	0.8	17.3	1.7

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

²⁾ Accumulated loss carryforwards essentially correspond to the group's total deficit for tax purposes. These loss carryforwards will not expire in the near future.

³⁾ The amount includes SEK -15.3 M (SEK 20.1 M) which refers to income tax attributable to components in other comprehensive income (note 9).

Note 12 Inventories

	Group	
	2009	2008
Goods for resale	224.0	248.7
	224.0	248.7

Costs for stock impairment (obsolescence) which have been charged to the net profit for the year are included in the item *Cost of goods sold*, and amounted to SEK 7.4 M (9.9).

Note 13 Trade receivables and other receivables

	Group		
	2009	2008	2007
Trade receivables	408.8	217.9	239.5
Provision for impairment of trade receivables	-5.9	-6.6	-2.2
Trade receivables – net	402.8	211.2	237.3
Other receivables	35.9	34.5	15.2
Prepaid expenses and accrued income	20.4	28.8	20.7
	459.2	274.5	273.2

Changes in the provision for doubtful debts are as follows:

	Group		
	2009	2008	2007
As at January 1	6.6	2.2	1.3
Provision for doubtful debts	0.8	4.6	2.0
Receivables written off during the year that are not recoverable	-1.4	-	-1.1
Reversed unutilized amount	-0.1	-0.2	-
As at December 31	5.9	6.6	2.2

Age distribution of trade receivables:

	Group		
	2009	2008	2007
Not due	338.6	166.7	171.0
Of which reserved	-	-	-
Due for up to 3 months	65.1	45.2	63.7
Of which reserved	-0.9	-0.7	-
Due over 3 months	5.0	5.9	4.9
Of which reserved	-5.0	-5.9	-2.2
	402.8	211.2	237.3

The verified customer losses during 2009 totaled SEK 1.4 M (0.0).

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

	Group		
Risk Range	2009	2008	2007
Lowest risk	128.8	103.7	-
Low risk	103.1	29.7	-
Medium risk	122.2	23.5	-
High risk	0.9	3.8	-
Highest risk	5.8	8.0	-
Unclassified	47.2	38.3	-
No Dun & Bradstreet data	0.6	10.9	-
Total	408.8	217.9	-

Comparative data in respect of customer credit ratings is not available for years prior to 2008.

Note 14 Other financial assets

	Group		
	2009	2008	2007
Aptilo Networks AB ¹⁾	1.6	1.6	1.6
Other	6.7	4.0	2.5
	8.3	5.6	4.1

¹⁾ Aptilo is measured according to level 3 in the fair value hierarchy (IFRS 7).

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

Note 15 Cash and cash equivalents

	Group			The Parent Company		
	2009	2008	2007	2009	2008	2007
Cash and bank balances	261.8	153.4	194.1	106.9	72.5	106.7
Short-term bank investments	40.0	60.0	190.0	40.0	60.0	190.0
	301.8	213.4	384.1	146.9	132.5	296.7

Credit rating of cash and cash equivalents:

	Group					
	2009	Rating 2009	2008	Rating 2008	2007	Rating 2007
Danske Bank	20.0	A	40.0	AA-	-	-
HSBC	29.8	AA	21.6	AA	-	-
Nordea	251.9	AA-	131.3	AA-	360.3	AA-
Skandinaviska Enskilda Banken	-	A	9.7	A+	9.5	A+
Svenska Handelsbanken	-	AA-	0.1	AA-	1.7	AA-
Other	0.1	N/A	10.7	N/A	12.6	N/A
	301.8		213.4		384.1	

The effective rate of interest for short-term bank investments was 0.9 % (5.8). These investments have an average due date of 88 days (11). Axis has an unutilized credit facility of SEK 200 M (200).

Note 16 Share option scheme for employees

Axis AB currently has an outstanding option program covering the staff in the USA. The program was introduced in 2001, and is aimed at all employees in the Axis Group. The scheme is aimed at encouraging long-term commitment on the part of the staff to the group's operational and profit growth. Employees in the USA, are offered the American equivalent, "Stock options".

In the US program, an option can be exercised for new issue of shares after the date on which the option was received by the employee. Allocation takes place after 3 years for the 1999 program, and over a three-year period at 25 percent on four occasions for the programs from 2000, 2001 and 2002. At the moment, just the program from 2001 remains, which relates to staff in the USA.

The subscription price per share is equivalent to 130 percent of the average for each trading day of the volume-weighted mean of the prices quoted during the day according to the NASDAQ OMX Nordic, Mid Cap, Information Technology official price list for shares in the company measured over a period of five trading days. The stock options may be assigned and do not lapse if the employee leaves the company. The stock options may be exercised during the term of the options.

The table on the next page shows the conditions of the option program, and the equity effects if the options are fully exercised. The allocation of shares through the exercise of options will take the form of newly-issued shares.

The premiums paid to the parent company for the stock options amount in total to SEK 12,500,000. 2,000 stock options were exercised during 2009 fiscal year.

Non-assigned options will be eliminated against equity in the group.

The company's share capital consists of 69,375,700 (69,373,700) shares of the same type and class with a par value of SEK 0.01. The share's quota value amounts to SEK 0.01. 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.

Recipients	Due date	Subscription price	Acquisition price	Funds received	Number of options Dec 31, 2008	Number exercised	Number of options Dec 31, 2009	Number of shares	Full dilution
Staff in the USA	Sep 30, 2010	48.00	15.50	2,669,875	156,850	2,000	154,850	154,850	0.22 %
				2,669,875	156,850	2,000	154,850	154,850	0.22 %

Note 17 Other reserves in Equity

	Hedge reserve	Translation reserve	Total
Balance brought forward as at January 1, 2007	2.3	15.1	17.4
Cash flow hedges	-7.6	-	-7.6
Hedging of net investment, equity hedge	5.7	-	5.7
Tax relating to cash flow hedges	2.1	-	2.1
Tax relating to the hedging of net investment, equity hedge	-0.5	-	-0.5
Translation differences	-	-3.4	-3.4
Balance carried forward as at December 31, 2007	2.0	11.7	13.7
Balance brought forward as at January 1, 2008	2.0	11.7	13.7
Cash flow hedges	-48.8	-	-48.8
Hedging of net investment, equity hedge	-25.7	-	-25.7
Tax relating to cash flow hedges	12.8	-	12.8
Tax relating to the hedging of net investment, equity hedge	7.3	-	7.3
Translation differences	-	3.9	3.9
Balance carried forward as at December 31, 2008	-52.4	15.6	-36.8
Balance brought forward as at January 1, 2009	-52.4	15.6	-36.8
Cash flow hedges	51.2	-	51.2
Hedging of net investment, equity hedge	6.9	-	6.9
Tax relating to cash flow hedges	-13.5	-	-13.5
Tax relating to the hedging of net investment, equity hedge	-1.8	-	-1.8
Translation differences	-	-6.6	-6.6
Balance carried forward as at December 31, 2009	-9.6	9.0	-0.6

The amount in respect of cash flow hedges which has been transferred from equity to the income statement during the year is recognized net after tax and totaled SEK 36.9 M (SEK -35.2 M).

Note 18 Borrowing

	Group		
	2009	2008	2007
Long-term portion	0.1	0.3	5.7
	0.1	0.3	5.7

Note 19 Personnel

Distribution of the average number of employees:

	Women			Men			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
The Parent Company	-	-	-	-	-	-	-	-	-
Brazil	4	2	-	7	6	-	11	8	-
Denmark	-	-	-	1	1	1	1	1	1
Dubai	2	-	-	4	-	-	6	-	-
France	10	10	7	9	7	7	19	17	14
Japan	7	7	7	8	7	6	15	14	13
Netherlands	1	2	1	4	5	4	5	7	5
Russia	1	1	-	3	2	-	4	3	-
Singapore Et Asia Pacific	20	33	12	48	39	23	68	72	35
Spain Et Italy	4	6	6	18	18	15	22	24	21
UK	4	3	3	9	9	8	13	12	11
Sweden	120	102	80	366	317	248	486	419	328
South Africa	3	3	2	6	3	5	9	6	7
Germany	9	5	5	14	12	8	23	17	13
USA	28	15	14	54	48	45	82	63	59
Group total	213	189	137	551	474	370	764	663	507

Salaries and remuneration totaled:

	Board Et CEO			Other			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
The Parent Company	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	9.5	1.3	-	9.5	1.3	-
Denmark	-	-	-	0.8	0.8	0.7	0.8	0.8	0.7
Dubai	-	-	-	3.6	-	-	3.6	-	-
France	-	-	-	13.4	10.9	11.3	13.4	10.9	11.3
Japan	-	-	-	9.5	7.4	5.7	9.5	7.4	5.7
Netherlands	-	-	-	3.5	3.8	3.1	3.5	3.8	3.1
Russia	-	-	-	1.4	0.7	-	1.4	0.7	-
Singapore Et Asia Pacific	-	-	-	25.6	20.2	10.5	25.6	20.2	10.5
Spain Et Italy	-	-	-	11.2	10.5	9.6	11.2	10.5	9.6
UK	-	-	-	7.7	8.2	9.1	7.7	8.2	9.1
Sweden	4.5	3.0	5.0	200.3	187.5	171.0	204.8	190.5	176.0
South Africa	-	-	-	3.0	2.8	2.1	3.0	2.8	2.1
Germany	-	-	-	17.9	13.0	10.2	17.9	13.0	10.2
USA	-	-	-	53.8	41.0	31.9	53.8	41.0	31.9
Group total	4.5	3.0	5.0	361.2	308.1	265.2	365.7	311.1	270.2

Salaries and remuneration to the Board of Directors and the President and CEO were paid through the subsidiary company, Axis Communications AB. Four of the members of the Board and the President and CEO are, as in preceding years, men. The fifth member of the Board of Directors this year is a woman. The table above does not include directors' fees.

	Salaries and remuneration			Social security contributions			(of which pension expenses)		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
The Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	365.7	311.1	270.2	116.2	108.9	95.5	31.3	29.3	20.1
Group total	365.7	311.1	270.2	116.2	108.9	95.5	31.3	29.3	20.1

Remuneration to the Board of Directors:

	Group		
	2009	2008	2007
Directors' fees	1.0	1.0	0.8
	1.0	1.0	0.8

Remuneration to senior executives

Fees are payable to the chairman of the board and members of the board in accordance with the resolution of the annual general meeting. Of the fees approved, SEK 450,000 is payable to the chairman of the board, and SEK 200,000 to each director who is not an employee of the Axis Group. No director's fee is payable to directors who are employees of the Axis Group. No special fee is payable for committee work.

Remuneration to the President and CEO and other senior executives consists of basic salary, variable remuneration and pension. The term other senior executives refers to the 7 people (preceding year 7) who, along with the President and CEO, constitute the Group management team.

The apportionment between basic salary and bonus will be proportionate to the executive's responsibility and authority. During the 2009 fiscal year, the bonus amount was maximized to 240 percent of an annual salary for the President and CEO. For the other senior executives, the highest individual amount was maximized to 80 percent of an annual salary. For the 2010 fiscal year, the bonus amounts are maximized to 240 percent of an annual salary for the President and CEO and the highest individual amount for the other senior executives is 80 percent of an annual salary. The bonuses for the President and CEO, and senior executives are based on the financial targets for the Group.

The results for the 2009 fiscal year have been charged with SEK 1.4 M in bonus for the President and CEO and SEK 1.5 M in total for the other senior executives. Of the seven senior executives (preceding year seven), five are men (preceding year five) and two are women (preceding year two).

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

	Basic salary/ Fees	Bonus	Other benefits	Pension expense	Other remuneration	Total
Lars-Erik Nilsson (Chairman of the Board)	0.4	-	-	-	-	0.4
Charlotta Falvin	0.2	-	-	-	-	0.2
Olle Isberg	0.2	-	-	-	-	0.2
Göran Jansson	0.2	-	-	-	-	0.2
Martin Gren (employed by Axis)	1.0	0.0	-	0.2	0.0	1.2
Ray Mauritsson (President & CEO)	2.1	1.4	0.0	1.4	0.0	4.9
Other senior executives (seven)	8.9	1.5	0.0	2.2	0.1	12.7
	13.0	2.9	0.0	3.8	0.1	19.8

The bonus shown in the table refers to the bonus that covers the 2009 fiscal year and which is disbursed during the 2010 fiscal year. No bonus was paid to either the President or to any of the senior executives in respect of the 2008 fiscal year. For information on how the bonus is calculated, see above.

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

The retirement age for the President and CEO is 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 is paid.

During 2009, neither the President and CEO nor other senior executives acquired stock options in Axis AB.

Pensions

The Axis Group has pension obligations which are classified both as defined benefit and defined contribution plans. In the Swedish units, all pension obligations, apart from those relating to the President and CEO, are classified as defined benefit. In the foreign units, the pension obligations are classified as defined contribution.

The retirement and family pension obligations in respect of white-collar staff in Sweden are secured through insurance with the insurance company, Alecta. According to the Swedish Financial Reporting Board, statement UFR 3, this is a defined benefit plan which covers a number of employers. For the fiscal year 2009, the Group does not have access to the information required to allow this plan to be reported as a defined benefit plan. The ITP occupational pension plan is secured through the insurance company, Alecta, and is therefore recognized as a defined-contribution plan. The charges for pension insurance policies with Alecta totaled SEK 25 M (26) during the year. Alecta's surplus may be allocated to the policyholders and/or the beneficiaries. At the end of 2009, Alecta's surplus in the form of the collective consolidation level amounted to 141 percent (111 percent). The collective consolidation level is calculated as the market value of Alecta's asset portfolio in relation to insurance obligations according to actuarial assumptions set by Alecta, which do not comply with IAS 19.

	Group		
	2009	2008	2007
Costs for defined contribution plans	27.7	25.7	20.9
Cost of special employer's contribution	5.8	5.6	4.8
	33.5	31.3	25.8

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 staff which prescribe that remuneration shall be payable if they: if they give notice; are served with notice without reasonable grounds; or if their employment is terminated as a consequence of a public takeover bid in respect of the shares in the company.

Preparatory and decision processes

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

Remuneration to the President and CEO for the fiscal year 2009 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 22, 2009 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 20 Other provisions

	Group		
	2009	2008	2007
Warranty provision	11.4	7.0	3.2
Anticipated additional purchase price, customer register	-	-	2.2
	11.4	7.0	5.4

	Group		
	2009	2008	2007
Provisions brought forward	7.0	5.4	4.6
Change during the year	4.4	1.6	0.8
Provisions carried forward	11.4	7.0	5.4

Note 21 Trade payables and other liabilities

	Group		
	2009	2008	2007
Trade payables	192.5	149.8	127.8
Other liabilities	12.8	20.0	7.1
Social security contributions and other taxes	24.6	26.6	17.5
Accrued expenses	195.6	122.4	138.8
	425.4	318.7	291.1

Note 22 Derivative instruments

2008	Group		
	Assets	Liabilities	Net
Currency swaps – equity hedge	2.2	-	2.2
Currency futures – equity hedge	-	-	-
	2.2	-	2.2
Currency futures – cash flow hedges	-	-67.9	-67.9
	2.2	-67.9	-65.7
2009			
Currency swaps – equity hedge	-	-4.1	-4.1
Currency futures – equity hedge	-	-0.1	-0.1
Currency futures – cash flow hedges	2.4	-1.2	1.2
	2.4	-5.4	-3.0

All derivative instruments are measured according to level 2 in the fair value hierarchy (IFRS 7).

For the parent company SEK 3.0 M (SEK 65.7 M) is included in the item Accrued expenses and prepaid income.

Note 23 Profit/loss from participations in group companies

	The Parent Company		
	2009	2008	2007
Group contributions received	314.6	356.8	321.3
Write down of shares in subsidiaries	-8.2	-5.4	-3.3
	306.4	351.4	318.0

Note 24 Interest income and similar profit/loss items

	The Parent Company		
	2009	2008	2007
Interest income	1.3	7.6	7.7
Interest income from group companies	0.3	0.3	0.3
Exchange differences	131.1	22.4	22.8
	132.7	30.3	30.8

Note 25 Interest expenses and similar profit/loss items

	The Parent Company		
	2009	2008	2007
Interest expenses	0.0	-0.2	-0.1
Interest expense to group companies	-	-0.5	-1.6
Exchange differences	-79.7	-132.0	-21.0
Other financial expenses	-0.5	-0.4	-0.1
	-80.3	-133.1	-22.9

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		
						2009	2008	2007
Axis Communications AB	Sweden, Lund	556253-6143	100 %	1,600	0.2	0.3	0.3	0.3
Gren Et Karlsson Firmware AB	Sweden, Lund	556304-6209	100 %	500	0.1	0.1	0.1	0.1
Axis Technologies AB	Sweden, Lund	556485-0765	100 %	500	0.1	0.1	0.1	0.1
Axis Alfa AB	Sweden, Lund	556599-4547	100 %	500	0.1	0.1	0.1	0.1
Axis Beta AB	Sweden, Lund	556599-4588	100 %	500	0.1	0.1	0.1	0.1
Axis Gamma AB	Sweden, Lund	556599-4562	100 %	500	0.1	0.1	0.1	0.1
						0.7	0.7	0.7

Shares owned by subsidiaries	Registered office	Corporate registration no.	Share of equity
Axis Communications Pty Ltd	Australia		100 %
Axis Communications Com e Serv Ltda	Brazil		100 %
Axis Communications Inc	Canada		100 %
Axis Comunicaciones Chile Limitada	Chile		100 %
Axis Attento Aps	Denmark		100 %
Axis Communications SA	France		100 %
Axis Video Systems India Private Limited	India		100 %
Axis Communications S.r.l.	Italy		100 %
Axis Communications KK	Japan		100 %
Axis Communications Ltd	China, Hong Kong		100 %
Shanghai Axis Communication Equipment Trading Co. Ltd	China, Shanghai		100 %
Axis Communications Korea Co. Ltd.	Korea		100 %
Axis Communications BV	Netherlands		100 %
Axis Communications OOO	Russia		100 %
Axis Communications (S) Pte Ltd	Singapore		100 %
AxerNet Communications SA	Spain		100 %
Axis Communications (UK) Ltd	UK		100 %
Axis Network AB	Sweden, Lund	556505-3450	100 %
Axis Peripherals AB	Sweden, Lund	556505-1785	100 %
Axis Communications (SA) (Pty) Ltd	South Africa		100 %
Axis Communications Ltd	Taiwan		100 %
Axis Communications GmbH	Germany		100 %
Axis Communications Inc	USA		100 %

Note 27 Contingent liabilities

	The Parent Company		
	2009	2008	2007
Contingent liabilities on behalf of other group companies	0.2	6.7	6.0
	0.2	6.7	6.0

Note 28 Cash flow from operating activities

	Group			The Parent Company		
	2009	2008	2007	2009	2008	2007
Net profit/loss for the period before financial items	308.0	340.6	368.1	-3.4	-2.7	-2.7
Adjusted for:						
- depreciation of property, plant and equipment	19.4	13.5	13.7	-	-	-
- depreciation and amortization of intangible assets	19.3	27.1	8.2	-	-	-
- other items not affecting liquidity	0.8	-9.1	-5.8	-	-0.1	-
Change in working capital						
- inventories	24.7	-82.5	-14.4	-	-	-
- trade receivables and other receivables	-189.5	-3.5	-41.1	-207.1	303.2	-199.2
- trade payables and other liabilities	89.6	73.1	43.5	-65.5	-265.8	319.4
Cash flow from operating activities	272.3	359.2	372.2	-276.0	34.6	117.5

Note 29 Key ratio definitions

Equity/assets ratio – Equity including minority interests as a percentage of the balance sheet total.

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

Return on equity – Profit/loss after financial items less full 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 stock 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. 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.

The statutory administration report for the Group and the Parent Company provides a fair review of the performance of the Group's and the Parent Company's operations, financial position and results and also describes significant risks and uncertainties facing the Parent Company and the companies forming part of the Group.

The consolidated income statements and balance sheets and those of the Parent Company shall be adopted at the Annual General Meeting on April 21, 2010.

Lund, February 3, 2010

Lars-Erik Nilsson
Chairman of the Board

Ray Mauritsson
President Et CEO

Göran Jansson

Martin Gren

Charlotta Falvin

Olle Isberg

Our audit report was submitted on February 3, 2010.

Öhrlings PricewaterhouseCoopers AB

Bertil Johanson
*Authorized Public Accountant
Chief Auditor*

Audit report

To the annual meeting of the shareholders of Axis AB (publ)
Corporate identity number 556241-1065

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Axis AB (publ) for the year 2009. The company's annual accounts and the consolidated accounts are included in the printed version on pages 37-59. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the consolidated statement of comprehensive income and balance sheet of the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Lund, February 3, 2010
Öhrlings PricewaterhouseCoopers AB

Bertil Johanson
*Authorized Public Accountant
Chief Auditor*

Multi-year summary

INCOME STATEMENT (SEK M)	2004	2005	2006	2007	2008	2009
Net sales	691.5	895.1	1,202.5	1,671.3	1,974.8	2,300.7
Cost of goods and services sold	-332.0	-412.1	-543.5	-747.9	-887.7	-1,064.5
Gross profit	359.5	483.0	659.0	923.4	1 087.1	1,236.2
Other income and changes in value	2.7	-2.7	2.5	7.2	8.8	-49.2
Selling and marketing expenses	-154.1	-176.3	-226.7	-307.5	-403.8	-455.5
Administrative expenses	-42.3	-53.3	-53.5	-61.7	-82.9	-91.3
Research and development expenses	-114.8	-122.5	-158.2	-193.4	-268.6	-332.1
Operating profit/loss	51.0	128.2	223.2	368.1	340.6	308.1
Net financial income/expense	-0.8	-0.7	-0.8	-0.7	-0.8	-1.4
Profit/loss after financial items	50.3	127.5	222.4	367.4	339.8	306.7
Tax on profit/loss for the period	-19.7	-36.5	-65.0	-108.6	-87.4	-88.9
Net profit/loss for the year	30.5	91.1	157.4	258.8	252.4	217.8

BALANCE SHEET (SEK M)	Dec 31, 2004	Dec 31, 2005	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009
Non current assets	118.4	107.2	85.6	91.0	105.8	130.9
Inventories	85.8	117.8	151.7	166.1	248.7	224.0
Account receivables	107.0	142.7	202.6	237.3	211.3	402.8
Other receivables	37.8	25.3	36.0	35.9	80.1	58.8
Cash and cash equivalents	121.0	187.2	313.5	384.1	213.4	301.8
Total	470.0	580.2	789.3	914.4	859.3	1,118.3
Equity	339.8	407.3	501.1	551.5	441.1	608.4
Long-term liabilities	10.3	10.8	15.7	40.1	30.8	61.7
Current liabilities	119.9	162.2	272.5	322.8	387.4	448.2
Total	470.0	580.2	789.3	914.4	859.3	1,118.3

CASH FLOW STATEMENT (SEK M)	2004	2005	2006	2007	2008	2009
Cash flow from operating activities before change in working capital	58.9	145.7	240.6	308.4	244.3	299.2
Change in working capital	-29.0	-15.1	-13.7	-12.0	-12.9	-75.2
Cash flow from operating activities	29.8	130.5	226.9	296.4	231.4	224.0
Cash flow from investing activities	-14.8	-29.9	-38.0	-27.8	-55.3	-62.2
Cash flow from financing activities	3.0	-34.4	-62.7	-197.9	-346.8	-73.4
Cash flow for the period	18.0	66.2	126.2	70.7	-170.7	88.4
Cash and cash equivalents at the start of the period	103.0	121.0	187.2	313.5	384.1	213.4
Cash and cash equivalents at the close of the period	121.0	187.2	313.5	384.1	213.4	301.8

OPERATING CASH FLOW (SEK M)	2004	2005	2006	2007	2008	2009
Profit/loss after financial items	57.1	127.5	222.4	367.4	339.8	306.7
Depreciation	10.5	12.5	20.6	21.9	40.6	38.7
Tax	-1.3	0.0	-6.3	-75.1	-127.0	-46.9
Total	66.3	140.0	236.7	314.2	253.4	298.5
Change in working capital	-29.0	-15.1	-13.7	-12.0	-12.9	-75.2
Net investment	-14.8	-29.9	-38.0	-27.8	-53.0	-63.0
Operating cash flow	22.5	95.0	185.0	274.4	187.5	160.3

KEY RATIOS	2004	2005	2006	2007	2008	2009
Net sales growth, %	10.9	29.4	34.3	39.0	18.2	16.5
Gross margin, %	52.0	54.0	54.8	55.2	55.0	53.7
Operating margin, %	7.4	14.3	18.6	22.0	17.2	13.4
Profit margin, %	7.3	14.2	18.5	22.0	17.2	13.3
Depreciation, SEK M	11	13	20	22	41	38.7
Equity, SEK M	340	407	501	551	441	608
Capital employed, SEK M	352	412	517	592	472	683
Interest-bearing liabilities, SEK M	6	7	6	6	-	-
Net debt, SEK M	115	180	302	390	213	302
Balance sheet total, SEK M	470	580	789	914	859	1,118
Return on capital employed, %	15.3	33.6	48.1	66.4	64.1	54.0
Return on total assets, %	11.3	24.4	32.6	43.2	38.4	31.2
Return on equity, %	11.5	24.6	35.3	50.3	49.3	43.1
Interest coverage ratio, multiple	67.2	196.9	297.5	517.0	411.9	220.1
Equity/assets ratio, %	72.3	70.2	63.5	60.4	51.3	54.4
Proportion risk-bearing capital,%	72.4	70.2	64.1	63.5	54.0	58.8
Capital turnover rate, multiple	2.1	2.3	2.6	3.0	3.7	4.0
Number of employees (average for the period)	343	361	427	507	663	764
Sales per employee, SEK M	2.0	2.5	2.8	3.3	3.0	3.0
Operating profit per employee, SEK M	0.2	0.4	0.5	0.7	0.5	0.4
DATA PER SHARE	2004	2005	2006	2007	2008	2009
Profit after financial items, SEK	0.83	1.85	3.21	5.30	4.90	4.42
Cash flow, SEK	0.26	0.96	1.82	1.02	-2.46	1.27
Equity, SEK	4.93	5.91	7.24	7.95	6.36	8.77
Share price at the close of the period	18.00	58.25	91.75	159.00	57.50	83.75
Price/equity, percent	365	986	1268	2000	904	955
Dividend, SEK (paid during the year)	-	0.5	1.00	3.00	4.50	1.25
P/E ratio	41	44	40	43	16	27
P/S ratio	1.8	4.5	5.3	6.60	2.02	2.53
Profit per share before dilution, SEK	0.44	1.32	2.28	3.73	3.64	3.14
Profit per share after dilution, SEK	0.44	1.32	2.27	3.73	3.63	3.14
Number of shares before dilution, average, thousand	68,900	68,906	69,084	69,315	69,374	69,374
Number of shares after dilution, average, thousand	68,900	69,121	69,220	69,426	69,452	69,423
Number of outstanding shares (thousand)	68,900	68,925	69,253	69,372	69,374	69,376
Average number of shares (thousand)	68,900	68,906	69,084	69,315	69,374	69,374

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

Profit after financial items divided 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 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 with full tax deducted 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.

Quarterly data

Invoicing per product group (SEK M)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Full year 2009
Video	409.5	472.9	522.4	480.4	509.7	531.3	558.1	645.8	2,244.9
Print	13.6	12.0	10.6	10.8	11.0	9.5	9.0	9.9	39.4
Scan	12.2	5.9	7.3	7.5	8.2	0.8	0.6	3.1	12.7
Other	2.3	3.0	2.8	1.7	2.7	0.6	0.3	0.0	3.7
Total	437.6	493.8	543.1	500.5	531.6	542.2	568.0	658.8	2,300.7

Invoicing per region (SEK M)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Full year 2009
EMEA	220.5	249.0	234.7	243.2	223.0	222.5	235.6	319.9	1,001.1
Americas	173.8	211.7	263.4	203.6	259.2	277.8	281.6	266.8	1,085.4
Asia	43.3	33.1	44.9	53.7	49.4	41.9	50.8	72.1	214.2
Total	437.6	493.8	543.0	500.5	531.6	542.2	568.0	658.8	2,300.7

Income statement (SEK M)	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Full year 2009
Net sales	437.5	493.8	543.0	500.5	531.6	542.2	568.0	658.8	2,300.7
Gross profit	242.5	277.6	297.8	269.2	296.7	296.7	297.0	345.8	1,236.2
Gross margin	55.4 %	56.2 %	54.8 %	53.8 %	55.8 %	54.7 %	52.3 %	52.5 %	53.7 %
Operating profit/loss	68.5	91.6	131.1	49.4	46.4	46.4	94.6	120.6	308.1
Operating margin	15.7 %	18.6 %	24.1 %	9.9 %	8.7 %	8.6 %	16.7 %	18.3 %	13.4 %
Profit after financial items	68.2	91.6	130.9	49.2	46.3	46.0	94.3	120.1	306.7

Board of Directors and Auditors

Lars-Erik Nilsson

Chairman of the Board. Born 1943. Member of Board since 2003 (Chairman of the Board since September 2005). Chairman of Avensia Innovation AB (formerly Luvit AB) and UClarity AB. Director of Consellar AB, MultiQ International AB and Netrevelation AB.

Education: Graduate engineer. Work experience: Ericsson, Thomson CSF Skandinavien, Compaq Computer. Principal employment: Various directorships. Shares in Axis: 10,000



Charlotta Falvin

Born 1966. Member of Board since 2006. Director of Anoto AB, Apptus AB. Education: Graduate in Business Administration, University of Lund. Work experience: Lars Weibull AB, Axis Communications AB, Decuma AB, TAT.

Principal employment: CEO of TAT – The Astonishing Tribe AB. Shares in Axis: 10,750

Martin Gren

Co-founder of Axis. Born 1962. Member of Board since 1984. Chairman of Grenspecialisten AB and Itact AB. Director of Askero Sagoboks Förlag AB, Askero Invest AB and Tobii Technology AB.

Education: University of Lund. Work experience: Co-founder of Axis. Principal employment: Employed by Axis Communications AB. Shares in Axis: 7,157,471 through Grenspecialisten AB



Olle Isberg

Born 1961. Member of Board since 2006. Chairman of Awardit AB, Björkliden Fjällby AB, Visionalis AB, Anerem AB and Hotel Stureplan AB. Director of Progressum AB. Education: Stockholm School of Economics.

Work experience: Öhman Fondkommission, Ratos, H&B Capital. Principal employment: CEO Visionalis AB. Other assignments: Senior Advisor LMK Industri AB. Shares in Axis: 0

Göran Jansson

Born 1958. Member of Board since 2007. Chairman of BANQIT AB, nWise AB and Opax A/S. Vice Chairman of Note AB. Director of Human Care AB and Stille AB.

Education: Graduate in Business Administration, Stockholm University. Work experience: Industriförvaltnings AB Kinnevik, Tele2, Assa Abloy AB. Principal employment: AAGOJA AB. Shares in Axis: 10,000



Auditors

Öhrlings PricewaterhouseCoopers

Chief auditor: Bertil Johansson, born 1949.

Authorized Public Accountant. Assigned to Axis since 2007.

Management team

Ray Mauritsson

Born 1962.

President and Chief Executive Officer

Employed by Axis since 1995.

Education: Master of Science, Engineering physics, University of Lund and Executive MBA from the Institute of Economics, University of Lund.

Previous employment: TAC.

Directorships: HMS.

Shares in Axis: 25,000



Johan Paulsson

Born 1963.

Chief Technology Officer

Employed by Axis since 2008.

Education: Master of Science, Electrical engineering, University of Lund.

Previous employment: Ericsson, Anoto.

Directorships: Agellis.

Shares in Axis: 0

Bodil Sonesson Gallon

Born 1968.

Vice President, Global Sales

Employed by Axis since 1996.

Education: Master of International Business Administration, University of Lund and Konstanz University, Germany.

Previous employment: Lars Weibull AB.

Shares in Axis: 850



Per Ädelroth

Born 1966.

Vice President, Operations

Employed by Axis since 1994.

Education: Master of Science, Industrial engineering and management, Chalmers, Gothenburg.

Previous employment: Accenture AB.

Directorships: Svep Design Center AB.

Shares in Axis: 28,000



Fredrik Sjöstrand
Born 1969.
Vice President Finance and Chief Financial Officer
Employed by Axis since 1998.
Education: Master of Business Administration, University of Lund.
Previous employment: E.ON, PricewaterhouseCoopers.
Shares in Axis: 27,000



Jonas Hansson
Born 1967.
Chief Information Officer
Employed by Axis since 2000.
Education: Master of Science and degree in journalism, University of Lund.
Previous employment: Netch Technologies AB, Nationalencyklopedin.
Shares in Axis: 7,751



Lars Åberg
Born 1966.
Vice President, Marketing
Employed by Axis since 2008.
Education: Bachelor of Business Administration, University of Lund, IFL Executive General Management Program, Stockholm School of Economics.
Previous employment: Unilever, Ericsson Mobile Communications and Bona Kemi.
Shares in Axis: 0

Malin Ruijsenaars
Born 1971.
Chief Personnel Officer
Employed by Axis since 2004.
Education: PA program, University of Lund, Master of European Studies, Brügge, Belgium, Post-graduate studies, UC Berkeley, USA.
Previous employment: Mercedes-Benz Customer Assistance Center N.V., DaimlerChrysler Denmark Sweden.
Shares in Axis: 1,000



Guidelines that create confidence

Corporate governance defines the decision systems by which the owners, directly or indirectly, manage the company. In a stock corporation such as Axis, governance, management and control are distributed among the shareholders, the board of directors, the President and management team in accordance with prevailing laws, regulations and instructions.

Axis AB (publ) (hereafter "Axis") is a Swedish stock corporation with its registered office in Lund, Sweden. Axis was floated on the Stockholm Stock Exchange in 2000 and is currently listed on NASDAQ OMX Nordic. The company follows the provisions of the Swedish Companies Act as well as the stock exchange regulations for listed companies in Sweden.

Axis applies the Swedish Code for Corporate Governance (hereafter the "Code") according to which this corporate governance report is prepared, and follows it with the exception of what is expressly stated below. The corporate governance report describes how corporate governance has been conducted in Axis during the fiscal year 2009. The corporate governance report has not been examined by the auditors.

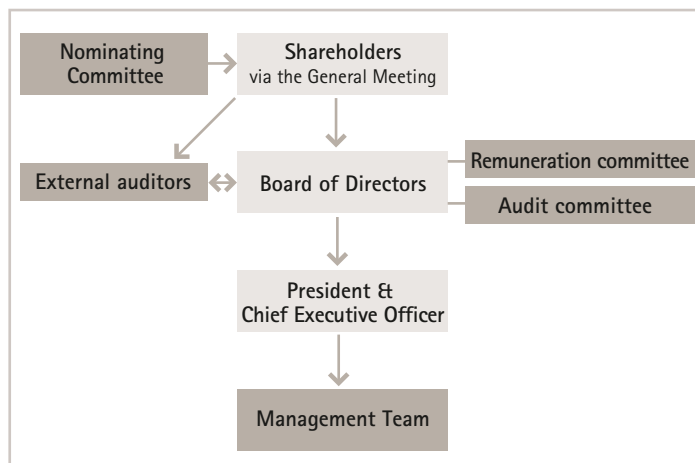
Deviations

Axis deviates from the Code in the following cases.

The company deviates from the Code's "soft" requirements in relation to items 1.5 (simultaneous interpretation to another language) and 1.7 (the minutes in another language than Swedish) since the company considers that these requirements are not motivated bearing in mind the composition of the shareholder base. The company deviates in relation to item 2.1 (the nominating committee shall submit proposals regarding appointment and remuneration of auditors) with the explanation that the board submits proposals regarding appointment and remuneration of auditors as the board considers that it is suitably qualified for this by virtue of its composition and expertise.

Share capital and voting rights

Axis had 17,571 shareholders at the close of 2009 according to the share register maintained by Euroclear Sweden AB (formerly VPC AB). The company's principal owner is LMK Industri (19.9 percent of the share capital). Foreign investors' equity interest was 23.4 percent. The ten largest owners held shareholdings corresponding to 62.3 percent of the share capital. For additional ownership information see page 32 in the annual report. The company's share capital totaled SEK 693,373 at year-end, distributed among 69,373,700 shares. All shares (as at December 31) carry one vote and equal right to share in the company's assets and earnings.



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 audit report as well as the consolidated financial statements is called the Annual General Meeting. The particulars of the annual general meeting are governed in the Swedish Companies Act and in the Articles of Association. The annual general meeting in Axis AB is held annually in the Lund area during the first half of the year. The venue and date of the annual meeting will be announced in connection with the third quarter report in the preceding year. Information regarding the shareholders' right to have matters addressed at the annual meeting will also be published in the third quarter report of the year before the meeting. The notice convening the annual general meeting is published no later than four weeks prior to the annual general meeting. At the annual general meeting 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 annual general meeting to ask questions about the company and the results for the year in question. In order for shareholders to attend the general meeting and vote for their shares, they must be registered in the share register and have given notice of participation within a specified time. Those shareholders that cannot personally attend may exercise their votes by proxy.

Annual General Meeting April 22, 2009

The Annual General Meeting was held in Lund on April 22, 2009. The general meeting resolved as follows:

- > to declare a dividend of SEK 1.25 per share,
- > to adopt the income statement and balance sheet for Axis AB submitted by the board as well as the consolidated income statement and consolidated balance sheet. The board and the company's President were discharged from liability for fiscal year 2008,
- > to elect the members of the board proposed by the nominating committee,
- > that director's fees for the fiscal year should remain unchanged and that fees to auditors should be paid according to approved invoice,
- > to adopt the board's proposal regarding principles for determining salaries and other remuneration to the President and other members of the management team, and
- > to adopt the board's proposal regarding criteria for appointment of members to the nominating committee etc.

Nominating Committee 2009

The annual general meeting resolves how the nominating committee shall be appointed, and at the annual general meeting it was resolved that Axis shall have a nominating committee comprising representatives of the three largest shareholders in the company as at August 31, the year before the annual general meeting. These shall each appoint a representative to the nominating committee by September 30, the year before the annual general meeting or at the latest six months prior to the annual general meeting. Axis' nominating committee is composed of representatives from the three largest shareholders; Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu (Luxembourg) S.à.r.l.) and Martin Gren (Grenspecialisten AB). Christer Brandberg is chairman and convener.

The work of the Nominating Committee

The sole task of the nominating committee is to prepare resolutions for the general meeting in respect of election and remuneration questions, as well as certain procedural matters for the next nominating committee. The nominating committee shall give an account of its work at the annual general meeting. Its proposals are presented in the notice convening the annual general meeting and on the company's website. As a basis for its proposals, the nominating committee shall consider to what extent the present board meets the demands that will be made of the board, on account of the company's situation and future direction, by acquainting themselves with the result of the evaluation of the board that has taken place, among other things.

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, Sweden, or by phone on +46 46 272 18 00.

The Board of Directors

During the period between the annual general meetings, the board of directors of Axis constitutes the highest decision-making body in the company. The duties of the board are governed in the Swedish Companies Act and in the Articles of Association. The current Articles of Association was adopted at the annual general meeting 2006 and is available in its entirety on www.axis.com (select Investor Relations).

Composition

All nominated board members were present at the annual general meeting on April 22, 2009. The board members Charlotta Falvin, Martin Gren, Olle Isberg, Göran Jansson and Lars-Erik Nilsson were re-elected. Lars-Erik Nilsson was re-elected as chairman of the board. Martin Gren is employed in the subsidiary Axis Communications AB and is one of the three largest shareholders in the company. Olle Isberg is employed by LMK Industri AB. The other board members Lars-Erik Nilsson, Charlotta Falvin and Göran Jansson are independent in relation to Axis and the company management according to the Code's provisions and NASDAQ OMX Nordic's listing requirements. Information regarding remuneration to the board members, as resolved upon by the annual general meeting can be found in the Annual Report on page 56.

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. This formal work plan sets out the division of work and responsibility between the board and the President and CEO. 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 members of the board in good time. The minutes are to be circulated to the members of the board after the meeting, and a copy stored securely by the company.

The role of the chairman of the board of Axis AB, among other things, is to monitor the progress of the business, to organize and lead the work of the board and to be responsible for ensuring that the other directors continually receive the information they require to carry out the work of the board with quality maintained and in accordance with the Swedish Companies Act. In addition to this, the work of the board is regulated by statutory instructions for the President and CEO and instructions on financial reporting.

The work of the Board during 2009

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

- > the growth strategy for the Video product area,
- > development activities and
- > establishment of subsidiaries/sales structure.

The board conducts an annual evaluation of its work through the agency of the chairman. During 2009, the board held eight board meetings including the statutory meeting. See table below for meeting attendance.

Board member	Meeting	1	2	3	4	5	6	7	8
Lars-Erik Nilsson (Chair)		X	X	X	X	X	X	X	X
Charlotta Falvin		X	X	X	X	X	X	X	X
Martin Gren		X	X	X	X	X	X	X	X
Olle Isberg		X	X	X	X	X	X	X	X
Göran Jansson		X	X	X	X	X	X	X	X

A presentation of the board may be found on page 63 of the annual report.

Committees

Remuneration committee

The task of the remuneration committee is to prepare decisions and guidelines relating to salary and employment conditions for the management team (including President and CEO) and other personnel. The committee shall ensure that the guidelines for determination of salaries and other remuneration to the President and other persons in the management team, adopted by the annual general meeting are followed. The remuneration committee shall report to the board on an ongoing basis. The committee is

appointed at the statutory meeting following the annual general meeting and in 2009 was composed of Lars-Erik Nilsson (chairman and convener) and Olle Isberg. During the year, the committee held four meetings. Information regarding the management team's remuneration and other employment conditions can be found on page 56 in the annual report and information regarding outstanding incentive programs on page 54.

Audit Committee

The main duties of the audit committee are to monitor the routines for both financial reporting and internal control and compliance with associated laws and provisions, as well as to monitor the audit in the group. The audit committee shall report to the board on an ongoing basis. The company's CFO and external auditors may participate in meetings.

The audit committee was appointed at the statutory meeting following the annual general meeting and in 2009 was composed of Göran Jansson (chairman and convener), Charlotta Falvin, Martin Gren, Olle Isberg and Lars-Erik Nilsson. The committee held three meetings during the year in which all members participated.

The President and Management team

Axis' management team consists of seven members, and is led by the President and CEO, Ray Mauritsson (born 1962). Ray Mauritsson is a graduate engineer, with a degree in Technology and Physics from the University of Lund, and an Executive MBA from the Business School at the University of Lund. He joined Axis in 1995, and took over as President and CEO in 2003. Prior to this, Ray Mauritsson held leading positions at TAC (now Schneider Electric). Ray Mauritsson is a director of HMS Industrial Networks. For information regarding shareholding, see page 64 in the annual report.

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 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 ten formal and a large number of informal meetings during the year.

Audits

Axis' auditors are elected by the annual general meeting for a period of four years. The company's auditors are Öhrlings PricewaterhouseCoopers AB, with Bertil Johanson as chief auditor. Bertil Johanson was born in 1949 and has been an authorized public accountant since 1981. Öhrlings PricewaterhouseCoopers AB have been Axis' auditors since 1996 and Bertil Johanson since 2007.

According to item 2.1 of the Code, proposals for appointment and remuneration of auditors should be submitted by the company's nominating committee. Axis' board has, however, in deviation from the above-mentioned provision in the Code, decided that the board shall submit proposals to the annual general meeting with regard to both appointment and the remuneration of auditors. Such proposals shall be prepared by a group specially appointed by the board, comprising representatives from the board and Axis' management. The reason for the deviation is that the above-mentioned group has particular experience of questions relating to appointment and remuneration of auditors. This competence is considered to be of benefit to Axis.

Internal control report

Introduction

The Board of Directors is responsible for internal controls at Axis 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 sections 10.5 and 10.6 of the Swedish Code for Corporate Governance, and has therefore, been limited to only covering internal controls of the financial reporting. This report is not a part of the company's legal financial statements and has not been examined by the company's auditor. 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, lead to both operational and strategic decisions being based on accurate financial information.

Axis' process for the internal control of 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 follow ups.

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 financial reporting has been delegated to the President and CEO, who in turn has delegated function-specific responsibility to managers at appropriate levels within the group.

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

A. Operational Management

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

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. The majority of new recruits in Sweden as well as internationally, complete introductory

training at Axis' head office in Lund. The training aims to increase the 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, instructions for attestation, handbooks, other policies and codes, among other things. The group's most important guidelines and policies relate to financial control, communications, 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, among other things, is to ensure that external and internal information disclosure is based on facts, is accurate and uniformly structured. Part of the communications policy deals with Investor Relations, IR, and is intended to ensure compliance with the appropriate laws and stock exchange rules, and to provide a reliable and accurate picture of Axis and its operations to players in the financial market. Axis has a Code of Conduct in place. The purpose of the Code is to set out the approach, values and guidelines that Axis' personnel shall apply in matters of business ethics and also the approach to human freedom and human rights. The objective of Axis' environmental policy is to ensure that the company supplies products and solutions in an efficient and environmentally friendly way, and that legal obligations and environmental regulations are complied with.

Risk assessment

Risk assessment involves identifying, measuring and recording the sources of risk. The significant risks which affect the internal control with respect to the financial reporting are identified in conjunction with the company's auditors at group and company level, as well as at regional level. The process of risk assessment also includes risks of impropriety and undue favoritism to another party at the company's expense. The risk assessment procedure results in measures that aim to strengthen the level of control and to support the fulfilment of the fundamental requirements of the financial reporting.

Control activities

There are both overall and more detailed control activities, aimed at preventing, discovering and correcting faults and deviations. The activities include manual controls, controls embedded in IT systems and controls in the underlying IT environment, i.e. general IT controls. The global controller organization is composed of regional controllers with responsibility for different sales regions, business controllers with dedicated function responsibility and a number of controllers with company-wide areas of responsibility. The regional controllers formally report to the regional sales director but also report operationally to the financial department at head office. The control organisation is evaluated on an ongoing basis by the Group Controller and CFO with the aim of ensuring quality and efficiency. The CFO actively participates in the recruitment process of all qualified controllers.

Axis does not have a separate internal audit function. The audit committee has decided that there are no special operational circumstances or other factors which would justify setting up such a function.

Information and communication

Important guidelines, handbooks and similar information relating to financial reporting are updated and communicated to the staff involved on an

ongoing basis. There are both formal and informal information channels to the company management and to the board for important information from staff. 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.

The company's auditors attend at least two board meetings and two audit committee meetings per year, at which the auditors give their assessment and observations in relation to the business processes, accounts and reporting. In addition, the chairman of the board and the chairman of the audit committee maintain continuous contact with the auditors.

Financial reporting and follow up

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

The reporting structure is based on two principal dimensions, geographical and functional. A monthly income statement is prepared for each dimension, and these are followed up with the responsible managers and controllers. At present, the geographical dimension consists of three regions and 24 sub-regions. The smallest components of the functional dimension are the cost centers which, in the aggregate, add up to the three functions of Marketing and Sales, Research and Development and Administration. The total number of cost centers with individual income statements and separate follow up amounts to 142. The company's geographical spread creates ideal conditions for comparative analyses between the regions. The key ratios for the regions and sub-regions constitute a central part of the follow up and analysis procedure.

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 three times a year, in April, August 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.

Milestones in Axis Communications' history



1996

1984 A dream becomes a company

In 1984, two young students sat in a student room talking and dreaming about the future of computers. Martin Gren had then completed half of his engineering degree at the University of Lund and Mikael Karlsson, who was only 22, had just graduated from Stockholm School of Economics. The entire computer world was about to enter an enormous paradigmatic shift: IBM had just launched its personal computer and the Internet was on the way to achieving pioneering heights during the coming years and decades. The two friends had a feeling that fantastic business opportunities were within reach.

They quickly discovered that the printer sector was the niche that could be commercialized most rapidly. They just needed to develop a product, manufacture it, sell it, get paid for it and earn their living in this way. With this simple business mission, the pioneering entrepreneurs founded Axis Communications – which gradually would become the world-leading company in network video.

1985–1990 Opening the world of network connectivity

Even from the beginning, the company concentrated on network connections but it focused at first on protocol converters/printer interfaces for connection to PC printers in IBM's mainframe and mini-computer environments. For the first time ever it became possible for users to access and share printer resources within the same building.

Quickly, through its innovate capabilities, Axis quickly got the reputation of offering high quality, easy to use products. This meant that Axis became one of the three world leaders in this market by the end of the 1980s.

1991–1995 Broadening operations

The next step was to broaden the company's technological expertise and experience of protocol converters/printer interfaces and network connectivity. At the same time, Axis built up a sales and distribution organization in Europe and established offices in the US and Asia.

When the technology base and the distribution channels were fully in place, Axis began to focus on print servers and TCP/IP protocol in local area networks (LAN).

1996–1998 Network access for everything

During the third development phase, the network was made smarter and the IP technological platform for print servers was broadened so that it could include products that offered a simple, affordable connection, access and utilization of other types of equipment in networks, such as CD-ROMs, hard disks, scanners and digital network cameras.

During this phase, Axis grew its operations and presence in the US and new offices were established in Europe and Asia. Sales increased, innovative products were launched and Axis participated in industry technology forums along with leading IT-companies such as Microsoft and Sun Microsystems. A number of strategic customer partnerships were established. The concept "network access for everything" accelerated.

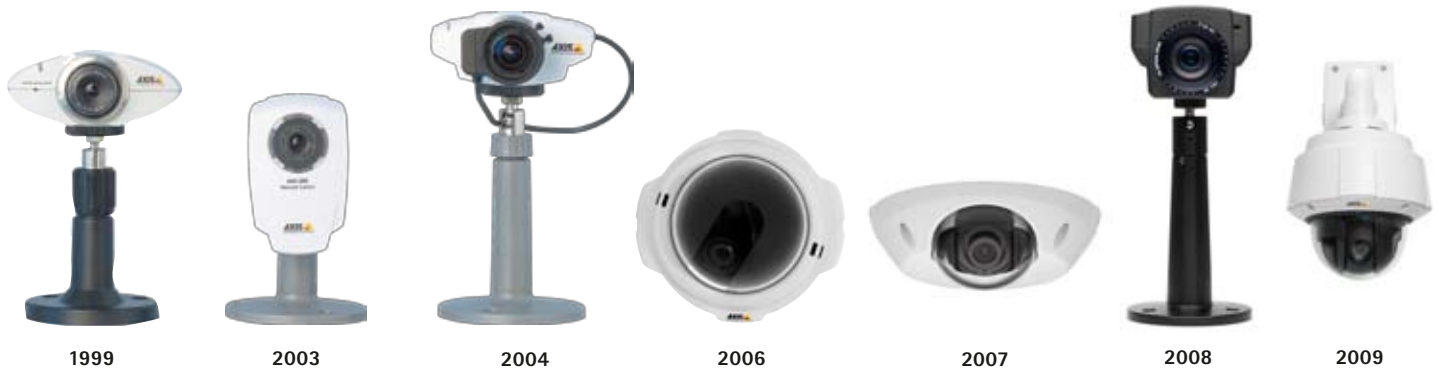
Also during the period, in 1996, Axis launched the world's first network camera. The challenge had been to develop a high quality camera that could easily be connected to the network. The answer was AXIS 200. Equipped with a built-in web server, the new network camera enabled access to its images from any web browser, from anywhere in the world. The camera was initially designed for surveillance, but as system integrators began to recognize its potential for many other applications, the stage was set for a revolution.



Martin Gren and Mikael Karlsson, founders of Axis Communications



AX-5, one of Axis' first products



1999–2000 Fulfilling the connectivity vision

Axis now began its fourth development phase in the drive to fulfil our fundamental vision: IP-based connectivity for all types of equipment. This phase coincided with developments in wireless data and voice communication, as well as the convergence between fixed and wireless networks, between protocols and applications, and between analog and digital technologies.

With the emergence of these new technologies and the growing importance of network accessibility, Axis broadened its connectivity scope to include embedded Linux, and both wired and wireless solutions. Products such as wireless access points for mobile connection were developed. And in response to the convergence towards IP systems, Axis focused increasingly on solutions for applications such as video surveillance, remote monitoring, web attraction, network printing and document management.

On June 27, 2000, the company was listed on the Stockholm Stock Exchange. The influx of capital significantly increased Axis' capacity to develop the company's core technology, new product offerings, geographical expansion and the establishment of Axis as one of the world's leading suppliers of IP connectivity products.

2001–2002 Investment in network video

The turn of the millennium changed the market for Axis more mature product segment: document and storage servers. The exceptionally strong demand noted during 1999 was replaced in 2000 by a generally weaker market for these products. In addition, sharply declining hard disk prices reduced the competitiveness of Axis' CD-server products. Axis decided to discontinue those products and concentrate efforts entirely on network video and network printing products.

2003–2009 The network video revolution

Although Axis launched the world's first network camera in 1996, it was not until 2002 that network video first took center stage. The user-friendly AXIS 200 had revolutionized the world of video surveillance and transformed Axis from a "connectivity company" into the worldwide leader in network video. The camera was based on open standards – just like Axis protocol converters and print servers ever since 1984 – which enables seamless integration into applications. Indeed, the goal of Axis has always been to make everything open and compatible with many standards.

Following this business model, Axis changed the security market, driving forward the shift from analog to digital. Its already leading position, exclusive know-how in developing core technologies and products for network connectivity, its strong sales channels and key partnerships, quickly positioned Axis as the leader and reference in the market.

Today, Axis is driving the development and sales of network video, making IP convergence seamless for customers across many different industry segments, such as retail, transportation, education, government, industrial, and banking & finance. The company has expanded its business all over the world, establishing offices on all continents – sharing the same beliefs of customer dedication, openness, and market leadership through innovation, quality and professionalism.



Martin Gren was 2009 awarded as Sweden's most successful entrepreneur in the competition Ernst & Young Entrepreneur of the Year 2008. Prize motivation:

"This year's winner has developed security equipment that is found in stores, industries, banks and in airports all over the world. Through visionary thinking and innovative creativeness, this year's winner has built up a multi-billion industry that helps to create a safer world."



Financial information 2010

Interim report: Tuesday, April 20

Annual General Meeting: Wednesday, April 21

Half-year report: Wednesday, July 7

Interim report: Friday, October 15

Annual report 2010 to be published in March 2011

Reports may also be ordered from Axis AB, Emdalavägen 14, 223 69 Lund, Sweden,

phone +46 (0)46-272 18 00, fax +46 (0)46-13 61 30, e-post ir@axis.com

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

Invitation to the Annual General Meeting

The Annual General Meeting of the company will be held at Emdalavägen 14, Lund, on Wednesday April 21, 2010 at 5.00 p.m. Shareholders who wish to participate in the annual general meeting must be registered in their own names in the print-out of the share register produced by the Swedish Securities Register Centre, VPC, on April 15, 2010. Shareholders whose shares are held through nominees, must ensure, in good time, that the bank or stockbroker who holds the shares arranges temporary shareholder registration, voting right registration, two banking days prior to April 15, 2010. The notification of participation must be received by Axis AB no later than 16.00 on April 15, 2010. The notification should include the shareholder's name, Swedish civil registration or corporate registration number (where

appropriate), address and phone number. If participation is through power of attorney, the power of attorney must be submitted before the general meeting. The power of attorney form will be available from the company and on the company's website as from March 20. The notification must also state the number of assistants the shareholder wishes to bring to the annual general meeting. The notification can be made

- > in writing to Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, Sweden,
- > by phone on +46 (0)46 272 18 00 to Axis AB's head office, or
- > via the company's website www.axis.com

Addresses

For updated information, please visit www.axis.com/corporate/contact.htm

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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 and 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 NASDAQ OMX Stockholm, under the ticker AXIS.

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



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