

## Year-end report 2007

# Axis' growth keeps pace with the market

- *Net sales for the period amounted to SEK 1,671 M (1,202).*
- *Operating profit for the period totaled SEK 368 M (223).*
- *Profit before tax for the period amounted to SEK 367 M (222).*
- *Profit after tax for the period totaled SEK 259 M (157).*
- *Earnings per share for the period amounted to SEK 3.73 (2.28).*
- *The Board of Directors proposes a dividend of SEK 4.50 (3.00) per share, of which SEK 3.25 (2.25) is an extra dividend.*

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

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



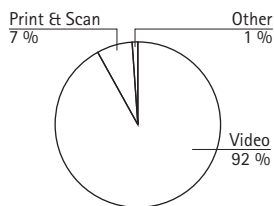
## President's comments

2007 was yet another successful year for Axis. Sales increased by 39 percent to SEK 1,671 M. The Video product area accounted for SEK 1,530 M of sales, corresponding to growth of 44 percent. Axis installed network video products within all customer segments during the year. We have seen an increased interest within the retail and transport sectors, as well as an increased demand for network video products for city surveillance. IMS Research, the market research institute, confirmed in its latest report that Axis has strengthened its market leadership and estimates the company's global market share for network cameras at 32 percent.

Ray Mauritsson  
President

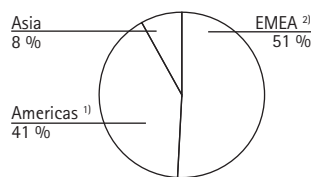
## Sales

### Invoiced sales per product group, Q4 2007



Product area Video represents 93 % of Axis' sales.

### Invoiced sales per region, Q4 2007



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

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

### January–December period

Axis' net sales during the January–December period totaled SEK 1,671 M (1,202), an increase of 39 percent compared with the year-earlier period. SEK 1,530 M was attributable to the Video product area, generating growth of 44 percent. Exchange rate differences had a negative impact on sales of SEK 88 M.

Axis reported sales growth in all three regions during 2007. The EMEA region reported sales of SEK 800 M, generating growth of 38 percent. The Americas region presented full-year sales of SEK 714 M, corresponding to strong growth of 47 percent. The Asia region reported sales of SEK 157 M, generating growth of 15 percent.

### Fourth quarter

Net sales during the October–December period totaled SEK 479 M (361), corresponding to growth of 33 percent compared with the same quarter of the preceding year. The Video product area recorded sales of SEK 440 M (324), generating growth of 36 percent. The product area accounted for 92 percent of Axis' total sales in the fourth quarter. The Document (Print and Scan) product area recorded sales of SEK 33 M (32) during the period and now represents 7 percent of the total sales. Exchange rate differences had a negative impact on sales of SEK 26 M.

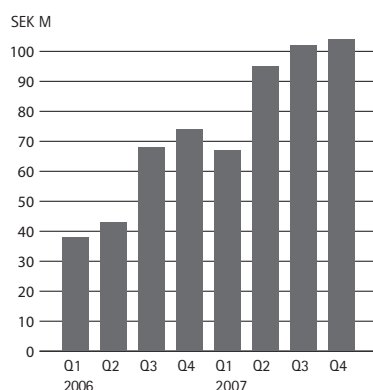
The EMEA region reported sales of SEK 245 M (192), generating growth of 28 percent. The Americas region reported sales of SEK 195 M (130), generating growth of 50 percent. Growth in the Americas region is accounted for by an increased local presence combined with more partners in the company's partnership program. The Asia region reported sales of SEK 38 M (39). The sales decrease is attributable to declining Print sales.

Invoiced sales per product group, SEK 000s	Q4 2007	Q4 2006	Q1-Q4 2007	Q1-Q4 2006
Video	439 792	324 092	1 529 845	1 061 610
Print	15 385	22 326	79 093	95 313
Scan	17 739	9 711	40 441	27 000
Other	5 665	4 890	21 896	18 568
TOTAL	478 581	361 019	1 671 275	1 202 491

Invoiced sales per region, SEK 000s	Q4 2007	Q4 2006	Q1-Q4 2007	Q1-Q4 2006
EMEA	245 006	191 580	800 281	581 412
Americas	194 948	129 944	714 258	485 202
Asia	38 627	39 495	156 736	135 877
TOTAL	478 581	361 019	1 671 275	1 202 491

## Operating profit

### Operating profit / EBIT



### January–December period

Operating profit for the year amounted to SEK 368 M (223), which was an increase of 65 percent. The operating margin totaled 22.0 percent (18.6). The gross margin totaled 55.2 percent (54.8).

Profit before tax rose to SEK 367 M (222) and profit after tax amounted to SEK 259 M (157). Exchange rate differences had a negative impact on earnings of SEK 13 M.

### Fourth quarter

Operating profit in the fourth quarter totaled SEK 104 M (74), corresponding to an operating margin of 21.8 percent (20.4). The gross margin amounted to 55.2 percent (55.2) in the fourth quarter. Profit before tax totaled SEK 104 M (73). Profit after tax amounted to SEK 67 M (50). Currency effects had no significant impact on operating profits.

Condensed income statement, SEK 000s	Q4 2007	Q4 2006	Q1-Q4 2007	Q1-Q4 2006
Net sales	478 581	361 019	1 671 275	1 202 491
Gross profit	264 295	199 441	923 367	659 007
Gross margin	55.2 %	55.2 %	55.2 %	54.8 %
Operating profit	104 433	73 527	368 071	223 156
Operating margin	21.8 %	20.4 %	22.0 %	18.6 %
Pretax profit	104 326	73 342	367 359	222 406

## Cash flow, investments and financial position

Cash flow from current operations was strong during the January–December period and totaled SEK 303 M. Net investments amounted to SEK 28 M, of which capitalized development costs totaled SEK 15 M. At the close of the period, Axis had SEK 384 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 210 M. Accordingly, the company had a total of SEK 594 M at its disposal at December 31, 2007.

## Shareholders' equity

Consolidated shareholders' equity amounted to SEK 551 M. The total number of shares in the company at the end of the period was 69,372,200. After full exercise of outstanding warrants, the number of shares totaled 69,530,550. The Group's equity/assets ratio at December 31, 2007 was 60.4 percent.

(SEK 000s)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at January 1, 2007	692	271 686	17 445	211 246	501 069
Translation differences	-	-	-3 715	-	-3 715
Exercise of warrants	2	3 354	-	-155	3 201
Dividend	-	-	-	-207 834	-207 834
Profit for the period	-	-	-	258 756	258 756
Closing balance at December 31, 2007	694	275 040	13 730	262 013	551 477

## Business development

Axis is the global market leader in network video and has continued to strengthen its position on the expanding market for network video products during the year. At the end of the year, IMS Research, the market research provider, published its annual market analysis, "The world market for CCTV & Video Surveillance Equipment". Axis' global market share for network cameras was estimated at 32 percent in the report. In addition, the market research provider ranks all suppliers of analog and digital video monitoring equipment such as cameras, recording solutions and video servers (encoders). Axis is positioned in eighth place compared with twelfth place in the preceding report. In the security cameras category, comprising both analog as well as network cameras, IMS ranks Axis number four in the world, compared with number eight in the preceding report. Furthermore, Axis is the worldwide market leader for video servers (encoders), according to IMS. IMS forecasts that the total world market for network video products will continue to grow at an annual rate of 40 percent.

### Considerable interest in network video projects

Axis' network video products were successfully installed within all customer segments during the year. The interest in comprehensive security installations featuring network video products has continued at a stable pace.

### Axis enhances security in Switzerland

In October, Axis announced that the company's network cameras will form part of the Schweizerische Bundesbahnen (SBB) security investments. SBB has decided to install Axis' network camera AXIS 209FD-R and AXIS 209MFD-R on commuter trains around Zurich in order to improve security for passengers and personnel. The total installation is estimated to consist of about 5,000 network cameras with the potential for additional installations. The installation commenced during the fall of 2007 and is expected to be fully delivered at the end of 2009.

### Intensified recruitment

Axis has intensified recruitment in order to satisfy the increasing market interest. The hiring pace has increased 100 percent compared with

the preceding year. The number of employees increased by 118 during the year, which was an increase of 26 percent. The new recruitment took place primarily within sales and support, but also in research and development. About 40 of these new recruits were hired during the fourth quarter. Axis had 564 employees at December 31, 2007.

#### **Strengthened organization in Asia Region**

A reorganization was completed in the Asia Region during the latter part of the year. The region has been split into two parts, whereby the Northern part will be managed from Hong Kong and the Southern part from Singapore. Both of the organizations have been strengthened with additional competence within the network video area.

#### **Intense market activity**

Axis continues to focus on training the market in the transition from analog to digital technology in order to accelerate the technology shift. During the period, Axis participated in a number of fairs in France, the US, Argentina, Denmark, Australia and Vietnam.

#### **Successful partnership program**

Axis sells its products through an indirect business model and the company is continuing to strengthen its presence on the market by training partners in a partnership program. Under the program, partners gain knowledge about network video in general and about Axis' products in particular, knowledge that will be deployed in discussions with the end customer. By year-end over 14,000 partners had participated in Axis' program.

## *Outlook for 2008*

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The market continues to look positive for 2008. According to IMS Research, the market research provider, the speed of the technology shift from analog to digital solutions will continue at the same pace as before with a forecasted annual growth of approximately 40 percent. Historically, the security business has been less sensitive to market conditions than other industries; however, a severe economic downturn could result in less new construction and thereby reduce the number of video surveillance equipment.

Axis' overall objectives remain unchanged. The company's goal is to maintain and strengthen the company's position as the market leading supplier of network based video solutions. Axis will pursue its focused strategy during the year in order to retain market shares and its leading position as well as to counter the increased competition in the market. This strategy includes the launch of innovative network video products, the further development of partnerships, as well as expansion and recruitment.

## *The Axis share*

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The Axis share is listed on the Large Cap segment of the OMX Nordic Exchange. Share trading from January 1 through December 31, 2007 averaged SEK 35 M per day. On average, 141,498 shares per day were traded during the year. The average volume-weighted price of the share during 2007 was SEK 140.54 per share. The total number of shares in the company at the end of the period was 69,372,200.

## *Accounting principles*

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This interim report was prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Reporting. For information on the accounting principles applied, see the 2007 Annual Report. The accounting principles are unchanged, compared with those applied in 2006.

## *Risks and uncertainty factors*

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Axis' operations are subject to a number of risks and uncertainties, which are described in the 2006 Annual Report. As of December 31, 2007, it is our assessment that no new significant risks or uncertainties have arisen.

## *Nomination committee*

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Axis' nomination committee is comprised of representatives from the three largest shareholders; Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu S.P.R.L) and Martin Gren (AB Grenspecialisten). Christer Brandberg is Chairman and convener. Proposals and viewpoints from shareholders regarding the composition of the Board may either be presented in writing to the address: Axis AB, Attention Adrienne Jakobsen, Emdalavägen 14, SE-223 69 Lund, or by phone to 046-272 18 00.

## *Parent Company*

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The Parent Company's operations focus primarily on Group-wide administration. The Parent Company has no employees. Operating profit amounted to SEK -3 M (0). Cash and cash equivalents totaled SEK 297 M (253 M at the start of the period) and borrowing was SEK 0 M (0 at the start of the year). Investments amounted to SEK 0 M (0) during the period.

## *Reporting dates*

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Axis will report on the following dates in 2008.

- Interim report, January–March – Wednesday, April 16
- Half-year report – Tuesday, July 8
- Interim report, January–September – Friday, October 17

## *Annual General Meeting*

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The Annual General Meeting of Axis AB will be held at Edison Park, Lund, on April 17, 2008 at 5 p.m. The Annual Report for 2007 will be available on the company's web site from the middle of March.

## *Dividend*

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The Board of Directors proposes a dividend of SEK 4.50 (3.00) per share for the 2007 fiscal year, of which SEK 3.25 (2.25) is an extra dividend against the background of the company's strong financial position.

The company's unrestricted equity at December 31, 2007 amounted to SEK 470 M. Liquidity in the Parent Company was strengthened by SEK 44 M during the 2007 fiscal year. The Board anticipates a continued positive trend in relation to both earnings and liquidity during the 2008 fiscal year. The view of the Board of Directors is that the proposed dividend will not prevent the company from fulfilling its obligations over the short or long term or from making necessary investments.

Lund, January 31, 2008

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

## Consolidated income statement

(SEK 000s)	Q4 2007	Q4 2006	Q1-Q4 2007	Q1-Q4 2006
Net sales	478 581	361 019	1 671 275	1 202 491
Cost of sold products and services	-214 286	-161 578	-747 908	-543 484
Gross profit	264 295	199 441	923 367	659 007
Other revenues and changes in value	3 624	1 760	7 231	2 534
Selling and marketing costs	-85 388	-67 746	-307 461	-226 732
Administrative costs	-16 911	-14 932	-61 673	-53 485
Research and development costs	-61 187	-44 996	-193 393	-158 168
Operating profit	104 433	73 527	368 071	223 156
Financial expenses	-107	-185	-712	-750
Pretax profit	104 326	73 342	367 359	222 406
Tax	-37 021	-23 619	-108 603	-65 025
Net profit for the period	67 305	49 723	258 756	157 381
Earnings per share before dilution, SEK	0.97	0.72	3.73	2.28
Earnings per share after dilution, SEK	0.97	0.72	3.73	2.27
Average number of shares before dilution, thousands	69 372	69 084	69 315	69 084
Average number of shares after dilution, thousands	69 484	69 220	69 426	69 220

## Cash-flow statement

(SEK 000s)	Q4 2007	Q4 2006	Q1-Q4 2007	Q1-Q4 2006
Cash flow from operating activities before change in working capital	91 007	86 246	308 277	247 423
Change in working capital	-3 790	-22 326	-5 559	-20 490
Cash flow from operating activities	87 217	63 920	302 718	226 933
Cash flow from investment activities	-9 858	-7 729	-27 576	-37 992
Cash flow from financing activities	1 150	1 439	-204 478	-62 700
Cash flow for the period	78 509	57 630	70 664	126 241
Cash and cash equivalents, beginning of period	305 621	255 836	313 466	187 225
Cash and cash equivalents, end of period	384 130	313 466	384 130	313 466

## Consolidated balance sheet

(SEK 000s)	Dec. 31, 2007	Dec. 31, 2006
Fixed assets	90 976	85 563
Inventories	166 131	151 690
Accounts receivable and other receivables	273 189	238 586
Cash and cash equivalents	384 130	313 466
Total	914 426	789 305
Shareholders' equity	551 477	501 069
Long-term liabilities	40 135	15 732
Current liabilities	322 814	272 504
Total	914 426	789 305



## Key figures

	Q4 2007	Q4 2006	Q1–Q4 2007	Q1–Q4 2006
Net sales growth (%)	32.6	39.1	39.0	34.3
Gross margin (%)	55.2	55.2	55.2	54.8
Operating margin (%)	21.8	20.4	22.0	18.6
Profit margin (%)	21.8	20.3	22.0	18.5
Depreciation/amortization (SEK M)	28	20	22	20
Shareholders' equity (SEK M)	551	501	551	501
Capital employed (SEK M)	592	517	592	517
Interest-bearing liabilities (SEK M)	6	6	6	6
Net interest-bearing liabilities (SEK M)	-390	-302	-390	-302
Total assets (SEK M)	913	789	913	789
Return on capital employed (%)	75.4	63.3	66.4	48.1
Return on total capital (%)	49.1	43.0	43.2	32.6
Return on equity (%)	57.1	46.5	50.3	35.3
Interest-coverage ratio (times)	976.0	397.4	517.0	297.5
Net debt/equity ratio (times)	-0.7	-0.6	-0.7	-0.6
Equity/assets ratio (%)	60.4	63.5	60.4	63.5
Share of risk-bearing capital (%)	63.5	64.1	63.5	64.1
Capital turnover ratio (times)	3.5	3.1	3.0	2.6
Number of employees (average for the period)	552	442	507	427
Sales per employee (SEK M)	3.5	3.3	3.3	2.8
Operating profit per employee (SEK M)	0.8	0.7	0.7	0.5

The key figures have been, where applicable, restated in full-year figures.

## Data per share

	Dec. 31, 2007	Dec. 31, 2006
Share price at end of period, SEK	159.00	91.75
Dividend, SEK	3.00	1.00
P/E multiple	43	40
Earnings per share before dilution, SEK	3.73	2.28
Earnings per share after dilution, SEK	3.73	2.27
Average number of shares before dilution, thousands	69 315	69 084
Average number of shares after dilution, thousands	69 426	69 220
Number of shares outstanding, thousands	69 372	69 253

## Quarterly data

Invoiced sales per product group (SEK 000s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2005	2005	2005	2005	2006	2006	2006	2006	2007	2007	2007	2007
Video	130 231	183 107	198 422	220 766	219 598	249 253	268 667	324 092	309 160	368 156	412 737	439 792
Print	39 143	36 241	29 775	30 383	27 856	24 192	20 939	22 326	18 734	29 630	15 344	15 385
Scan	2 038	2 327	2 387	4 298	4 113	6 230	6 946	9 711	4 599	8 459	9 644	17 739
Other	3 359	4 444	4 146	4 000	5 514	3 397	4 767	4 890	5 672	4 043	6 517	5 665
TOTAL	174 771	226 119	234 730	259 447	257 081	283 072	301 319	361 019	338 165	410 288	444 242	478 581
Invoiced sales per region	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EMEA	80 459	104 242	96 524	129 163	115 880	134 447	139 505	191 580	161 332	181 670	212 274	245 006
Americas	52 934	84 164	100 331	99 733	108 590	117 246	129 422	129 944	141 869	179 287	198 154	194 948
Asia	41 378	37 713	37 875	30 551	32 611	31 379	32 392	39 495	34 964	49 331	33 814	38 627
TOTAL	174 771	226 119	234 730	259 447	257 081	283 072	301 319	361 019	338 165	410 288	444 242	478 581

## Parent Company income statement

(SEK 000s)	Q1-Q4 2007	Q1-Q4 2006
Net sales	13 887	9 741
Gross profit	13 887	9 741
Administrative costs	-16 560	-9 776
Operating profit	-2 673	-35
Result from participations in Group companies	318 045	192 552
Financial income	30 787	37 060
Financial expenses	-22 862	-5 700
Pretax profit	323 297	223 877
Change in tax allocation reserve	-84 749	-24 135
Tax	-67 870	-56 646
Net profit for the period	170 678	143 096

## Parent Company balance sheet

(SEK 000s)	Dec. 31, 2007	Dec. 31, 2006
Fixed assets	2 342	2 342
Receivables from Group companies	631 561	297 600
Accounts receivable and other receivables	402	8 520
Tax receivables	1 671	-
Cash and cash equivalents	296 704	253 263
Total	932 680	561 725
Shareholders' equity	470 874	504 674
Untaxed reserves	108 884	24 135
Liabilities to Group companies	322 769	8 208
Current liabilities	30 153	24 708
Total	932 680	561 725

## *Auditor's review report*

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We have reviewed the interim report of Axis AB (publ) for the period January 1 to December 31, 2007. The board of directors and the managing director are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act and IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

We have conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS, and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed on the basis of a review does not give the same level of assurance as a conclusion expressed on the basis of an audit.

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

Lund, January 31, 2008

Öhrlings PricewaterhouseCoopers AB

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

## *Analyst and media meeting*

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Axis will hold a teleconference for media and financial analysts today, January 31, 2008 at 10 a.m.

Phone number: +46 08 5052 0110

Specify: Axis Communications

A presentation is available on

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

Participants from Axis AB will be:

Ray Mauritsson, President and Fredrik Sjöstrand, CFO.

A recorded version of the teleconference will be available for five business days on: +46 08 5052 0333, specify: 781750

The Annual Report for 2007 is available on Axis' web site from mid March,  
[www.axis.com/corporate/investor/index.htm](http://www.axis.com/corporate/investor/index.htm)

Further information is available from the President, Ray Mauritsson,  
Fredrik Sjöstrand, CFO or Margareta Lantz, Manager Investor Relations &  
Corporate Communications, telephone +46 46 272 18 00.

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