

Interim report January–June 2010



- Net sales during the period amounted to SEK 1,321 M (1,074), and sales amounted to SEK 678 M (542) for the second quarter.
- Operating profit during the period amounted to SEK 169 M (93), and operating profit amounted to SEK 74 M (46) for the second quarter.
- Profit before tax during the period amounted to SEK 168 M (92), and profit before tax amounted to SEK 74 M (46) for the second quarter.
- Profit after tax during the period totaled SEK 122 M (67), and profit after tax totaled SEK 53 M (34) for the second quarter.
- Earnings per share amounted to SEK 1.76 (0.96) during the first half-year.

President's comments

A very strong close of the second quarter generated growth of 6 percent, compared with the first quarter of the year. Sales have been particularly robust within the Americas region which reported growth of 25 percent, compared with the same period of the preceding year. The Asia region also showed strong growth of 56 percent. The corresponding growth rate within the EMEA region amounted to 19 percent.

The product portfolio was extended further with a number of high-quality network video products. All

of the new products support HDTV quality video and the H.264 compression standard.

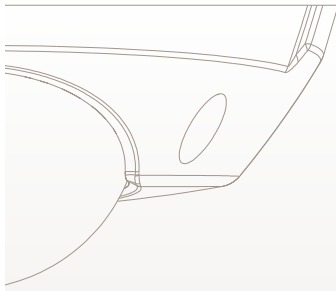
During the second quarter, Axis continued its expansion and a high rate of recruitment took place. The number of employees increased by 64 and amounted to 850 at the end of the period.

Ray Mauritsson
President

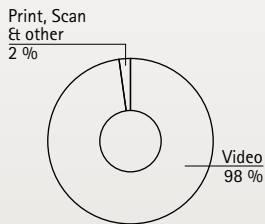
About Axis Communications. *Axis is an IT company offering network video solutions for professional installations. The company is the global market leader in network video, driving the ongoing shift from analog to digital video surveillance. Axis products and solutions focus on security surveillance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

Axis is a Swedish-based company, operating worldwide with offices in more than 20 countries and cooperating with partners in more than 70 countries. Founded in 1984, Axis is listed on the NASDAQ OMX, under the ticker AXIS. For more information about Axis, please visit our web site at www.axis.com.



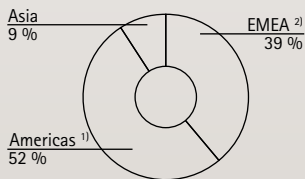


Invoiced sales per product group, Q2 2010



Product area Video represents 98 % of Axis' sales.

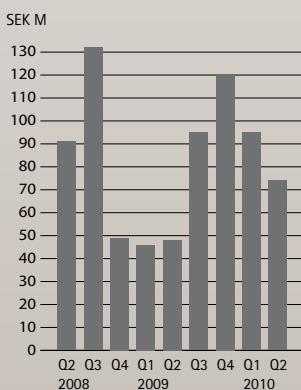
Invoiced sales per region, Q2 2010



¹⁾ Incl North, South and Central America
²⁾ Incl Europe, the Middle East and Africa

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

Operating profit / EBIT



Sales

Net sales for the period January–June totaled SEK 1,321 M (1,074), an increase of 23 percent in Swedish kronor compared with the corresponding period of the preceding year. Foreign currency effects impacted sales negatively by SEK 135 M during the period.

Net sales for the second quarter amounted to SEK 678 (542), which represented an increase of 25 percent. Foreign currency effects had a negative impact on sales of SEK 52 M.

Sales in the Americas region amounted to SEK 348 M (278) during the second quarter, which resulted in growth of 33 percent in local currency and 25 percent in Swedish kronor. Sales in the Americas region accounted for 52 percent of total sales during the second quarter.

The Asia region reported sales of SEK 66 M (42) for the period April–June, which corresponded to growth of 55 percent in local currency and 56 percent in Swedish kronor. Sales in the region accounted for 9 percent of total sales in the second quarter.

Sales in EMEA region amounted to SEK 265 M (223) during the second quarter, which resulted in growth of 33 percent in local currency and 19 percent in Swedish kronor and accounted for 39 percent of total sales during the second quarter of the year.

Invoiced sales per product group, SEK M	Q2 2010	Q2 2009	Q1–Q2 2010	Q1–Q2 2009	Full year 2009	Q309–Q210 12 months
Video	665.0	531.3	1,298.1	1,041.0	2,244.9	2,502.0
Print	9.1	9.5	15.0	20.5	39.4	33.9
Scan	2.8	0.8	4.2	9.0	12.7	7.9
Other	1.4	0.6	3.6	3.4	3.7	3.9
TOTAL	678.3	542.2	1,320.9	1,073.9	2,300.7	2,547.7

Invoiced sales per region, SEK M	Q2 2010	Q2 2009	Q1–Q2 2010	Q1–Q2 2009	Full year 2009	Q309–Q210 12 months
EMEA	265.2	222.5	556.2	445.6	1,001.1	1,111.7
Americas	347.6	277.8	632.8	537.0	1,085.4	1,181.2
Asia	65.5	41.9	131.9	91.3	214.2	254.8
TOTAL	678.3	542.2	1,320.9	1,073.9	2,300.7	2,547.7

Operating profit

January–June

The Group's operating profit amounted to SEK 169 M (93) during the first half-year, corresponding to an operating margin of 12.8 percent (8.6). The gross margin totaled 51.0 percent (55.3). Profit before tax was SEK 168 M (92) and profit after tax was SEK 122 M (67). The total foreign currency effect, including the result of remaining currency hedging, totaled SEK –24 M.

April–June

Operating profit during the second quarter amounted to SEK 74 M (SEK 46), corresponding to an operating margin of 10.9 percent (8.6). The increase in costs between the first and second quarter was mainly due to a higher recruitment rate and a continued high level of marketing activities. The gross margin fell to 50.0 percent (54.7) during the second quarter as a consequence of continued negative foreign currency effects and an increased share of

project pricing and strategic price list adjustments, which had an impact in the second quarter of the year. Profit before tax was SEK 74 M (46). Profit after tax amounted to SEK 53 M (34). The total foreign currency effect totaled SEK -7 Mkr.

Condensed income statement, SEK M	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q309-Q210 12 months
Net sales	678.3	542.2	1,320.9	1,073.9	2,300.7	2,547.7
Gross profit	339.2	296.7	673.0	593.4	1,236.2	1,315.8
Gross margin	50.0 %	54.7 %	51.0 %	55.3 %	53.7 %	51.6 %
Operating profit	74.0	46.4	169.2	92.9	308.1	384.4
Operating margin	10.9 %	8.6 %	12.8 %	8.6 %	13.4 %	15.1 %
Pretax profit	73.5	46.0	168.4	92.3	306.7	382.8

Cash flow and financial position

The cash flow from operating activities amounted to SEK 37.3 M. Net investments totaled SEK 22 M. The working capital was weighed by increased trade receivables as a consequence of major deliveries at the end of the quarter as well as continued stockbuilding due to more product models in stock, safeguarding of component supply and the higher USD exchange rate. Capitalized development expenses amounted to SEK 9 M during the period. Axis held SEK 88 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 150 M (the granted credit facility was SEK 200 M).

Shareholders' equity

Consolidated shareholders' equity totaled SEK 465 M. The total number of shares at the end of the period was 69,385,350. After full exercise of outstanding warrants, the number of shares amounted to 69,530,550. The Group's equity/assets ratio at June 30, 2010 was 41 percent (52.3 percent at June 30, 2009).

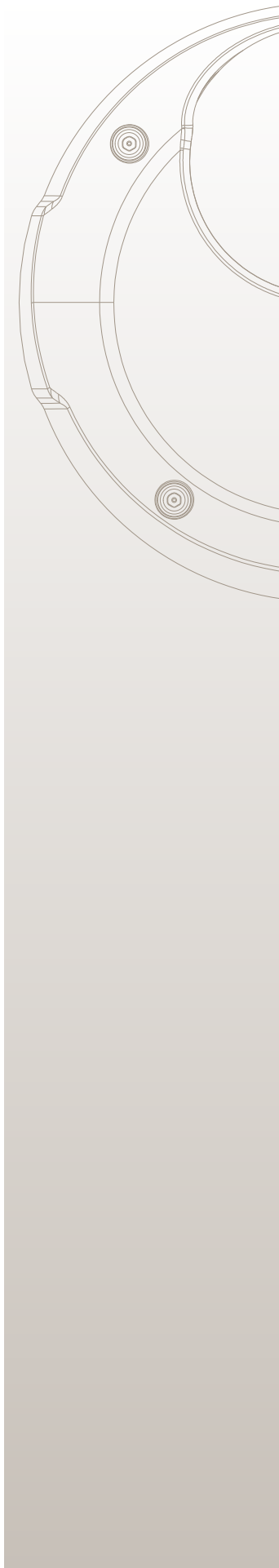
(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan 1, 2009	0.7	275.0	-36.8	202.2	441.1
Total comprehensive income for the period	-	-	34.8	66.7	101.5
Dividend	-	-	-	-86.7	-86.7
Closing balance at 30 June, 2009	0.7	275.0	-2.0	182.2	455.8
Opening balance at Jan 1, 2010	0.7	275.0	-0.6	333.3	608.4
Total comprehensive income for the period	-	-	12.1	121.8	133.9
Dividend	-	-	-	-277.5	-277.5
Closing balance at 30 June, 2010	0.7	275.0	11.5	177.6	464.8

Significant events during the second quarter

The product portfolio was extended with a number of new products during the period. AXIS Q6034-E PTZ Dome network camera is primarily intended for outdoor installations and is equipped with pan, tilt and zoom functions (PTZ) and also delivers HDTV quality video. The AXIS P55 series has been extended with two models which are primarily intended for security installations in outdoor settings such as surveillance of urban environments, airports, ports and outdoor arenas.



Axis products have attracted attention and generated considerable interest at fairs around



the world, including at ISC West in the US, IFSEC in England, TransRussia in Russia and ISC in Brazil.

The marketing activities have been intensive during the second quarter of the year and included a number of partnership conferences with distributors, ADPs and channel partners. Axis' different partnership programs are important success factors. The programs are continually refined and new partners are added on an ongoing basis. At the end of June, Axis had 33,000 partners in the different partnership programs.

The world exposition Expo 2010 in Shanghai opened on May 1 and Axis is an official sponsor of the Swedish pavilion where Axis' network cameras are installed as part of the security solution. The participation in Expo 2010 is part of Axis' efforts to boost its presence and visibility on the growing Chinese market.

As stated previously, a discussion is being conducted with different customs authorities regarding the tariff classification of network cameras. The discussion continued during the period in order to define the correct classification of Axis' products.

Outlook

The positive market trend from the end of 2009 and the beginning of 2010 appears to have stabilized. Indicators such as the number of project inquiries and project deals concluded seem to show a continued stable trend at present, notwithstanding continued increasing competition. The previously communicated risk of supply disruptions in respect of components remains unchanged; however, there is also a risk of increasing component prices.

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

The Axis share

The company's share is listed on NASDAQ OMX Nordic. The average daily trading volume during the period January 1 through June 30, 2010 amounted to SEK 20 M per day. On average, 186,964 shares per day were traded during the same period. The average share price during the period was SEK 104.92. The total number of shares in the company at the end of the period was 69,385,350.

Accounting policies

This half-year report is prepared in accordance with Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. For information on the accounting policies applied, see the 2009 Annual Report. The accounting policies are unchanged, compared with those applied in 2009.

Risks and uncertainties

Axis' operations are subject to a number of risks and uncertainties, which are described in the 2009 Annual Report. As of June 30, it is our assessment that no new significant risks or uncertainties have arisen.

Parent Company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. Operating profit amounted to SEK -1.2 M (-1.3). Cash and cash equivalents totaled SEK 0.0 M (0.0) and borrowing was SEK 50 M (0).

Reporting dates

Axis will report on the following dates during the financial year 2010.

Interim report, January–September – October 15.

Year-end report – February 3, 2011.

The half-year report provides a true and fair review of the condensed balance sheets and income statements and the explanatory notes provide a true and fair view of the company's financial position and results of operations and other interim information provides a true and fair review of the company's operations and position.

Lund, July 7, 2010

Ray Mauritsson
President

Lars-Erik Nilsson
Chairman of the Board

Martin Gren

Charlotta Falvin

Olle Isberg

Göran Jansson

Roland Vejdemo

Consolidated income statement

(SEK M)	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q309-Q210 12 months
Net sales	678.3	542.2	1,320.9	1,073.9	2,300.7	2,547.7
Cost of sold products and services	-339.1	-245.5	-647.9	-480.5	-1,064.5	-1,231.9
Gross profit	339.2	296.7	673.0	593.4	1,236.2	1,315.8
Other revenues and changes in value	-8.1	-24.8	-12.3	-50.7	-49.2	-10.8
Selling and marketing costs	-134.1	-113.4	-257.1	-234.1	-455.5	-478.5
Administrative costs	-27.7	-24.1	-55.3	-47.7	-91.3	-98.9
Research and development costs	-95.3	-88.0	-179.1	-168.0	-332.1	-343.2
Operating profit *	74.0	46.4	169.2	92.9	308.1	384.4
Financial expenses	-0.5	-0.4	-0.8	-0.6	-1.4	-1.6
Pretax profit	73.5	46.0	168.4	92.3	306.7	382.8
Tax	-20.9	-12.5	-46.5	-25.6	-88.9	-109.8
Net profit for the period	52.6	33.5	121.9	66.7	217.8	273.0
Other comprehensive income						
Cash flow hedges	-8.7	31.0	0.7	45.4	51.2	6.5
Hedging of net investments	-	4.9	0.3	0.5	6.9	6.7
Exchange rate differences	11.1	-2.7	11.4	1.0	-6.6	3.8
Tax attributable to components in other comprehensive income	2.3	-9.5	-0.3	-12.1	-15.3	-3.5
Other comprehensive income for the period, net after tax	4.7	23.7	12.1	34.8	36.2	13.5
Net profit for the period	57.3	57.2	134.0	101.5	254.0	286.5
Total comprehensive income attributable to:						
The Parent Company's shareholders	57.3	57.2	134.0	101.5	254.0	286.5
Earnings per share before dilution, SEK	0.76	0.48	1.76	0.96	3.14	3.94
Earnings per share after dilution, SEK	0.76	0.48	1.76	0.96	3.14	3.93
Average number of shares before dilution, thousands	69,381	69,374	69,379	69,374	69,374	69,377
Average number of shares after dilution, thousands	69,445	69,425	69,445	69,425	69,423	69,445

* Net effects of hedging and changes in exchange rates in underlying liabilities and receivables denominated in foreign currencies have impacted operating profit negatively by SEK 8 M for the second quarter and negatively by SEK 13 M for the first six months.

Cash-flow statement

(Mkr)	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q309-Q210 12 months
Cash flow from operating activities before change in working capital	78.3	71.0	146.8	139.9	299.2	306.1
Change in working capital	-75.5	-75.8	-109.4	-98.1	-75.2	-86.5
Cash flow from operating activities	2.8	-4.8	37.4	41.8	224.0	219.6
Cash flow from investment activities	-11.9	-21.4	-21.6	-28.6	-62.2	-55.2
Cash flow from financing activities	-227.4	-86.7	-229.7	-86.7	-73.4	-216.4
Cash flow for the period	-236.5	-112.9	-213.9	-73.5	88.4	-52.0
Cash and cash equivalents, beginning of period	324.4	252.8	301.8	213.4	213.4	139.9
Cash and cash equivalents, end of period	87.9	139.9	87.9	139.9	301.8	87.9

Consolidated balance sheet

(SEK M)	June 30, 2010	June 30, 2009	Dec 31, 2009
Fixed assets	132.1	119.0	130.9
Inventories	372.1	228.7	224.0
Accounts receivable and other receivables	537.4	383.5	461.6
Cash and cash equivalents	87.8	139.9	301.8
Total	1,129.4	871.1	1,118.3
Shareholders' equity	464.9	455.8	608.4
Long-term liabilities	76.6	53.0	61.7
Current liabilities	587.9	362.3	448.2
Total	1,129.4	871.1	1,118.3

Key figures

	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Net sales growth (%)	25.1	9.8	23.0	15.3	16.5
Gross margin (%)	50.0	54.7	51.0	55.3	53.7
Operating margin (%)	10.9	8.6	12.8	8.6	13.4
Profit margin (%)	10.8	8.5	12.7	8.6	13.3
Depreciation/amortization (SEK M) *	40.3	38.0	40.3	38.0	38.7
Shareholders' equity (SEK M)	465	456	465	456	608
Capital employed (SEK M)	592	569	592	569	683
Interest-bearing liabilities (SEK 000s)	50	-	50	-	-
Net debt (SEK 000s) **	38	140	38	140	302
Total assets (SEK M)	1,129	871	1,129	871	1,118
Return on capital employed (%) *	60.3	52.5	60.3	52.5	54.0
Return on total capital *	34.2	31.6	34.2	31.6	31.2
Return on equity (SEK M) *	52.6	43.7	52.6	43.7	43.1
Interest-coverage ratio (times) *	240.3	286.1	240.3	286.1	220.1
Equity/assets ratio (%)	41.2	52.3	41.2	52.3	54.4
Share of risk-bearing capital (%)	49.7	59.3	49.7	59.3	58.8
Capital turnover ratio (times)	1.1	4.1	1.1	4.1	4.0
Number of employees (average for the period)	828	764	806	752	764
Sales per employee (SEK M) *	3.1	2.8	3.2	2.8	3.0
Operating profit per employee (SEK M) *	0.5	0.4	0.5	0.4	0.4

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

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

Per-share data

	June 30, 2010	June 30, 2009	Dec 31, 2009
Share price at end of period, SEK	90.00	82.00	83.75
Dividend, SEK	4.00	1.25	1.25
P/E multiple	26	43	27
Earnings per share before dilution, SEK	1.76	0.96	3.14
Earnings per share after dilution, SEK	1.76	0.96	3.14
Average number of shares before dilution, thousands	69,381	69,374	69,374
Average number of shares after dilution, thousands	69,445	69,425	69,423
Number of shares outstanding (thousand)	69,385	69,374	69,376

Quarterly data

Invoiced sales per product group (SEK M)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2007	2007	2008	2008	2008	2008	2009	2009	2009	2009	2010	2010
Video	412.7	439.8	409.5	472.9	522.4	480.4	509.7	531.3	558.1	645.8	633.1	665.0
Print	15.3	15.4	13.6	12.0	10.6	10.8	11.0	9.5	9.0	9.9	5.9	9.1
Scan	9.6	17.7	12.2	5.9	7.3	7.5	8.2	0.8	0.6	3.1	1.4	2.8
Other	6.5	5.7	2.3	3.0	2.8	1.7	2.7	0.6	0.3	0.0	2.2	1.4
TOTAL	444.2	478.6	437.5	493.8	543.0	500.5	531.6	542.2	568.0	658.8	642.6	678.3

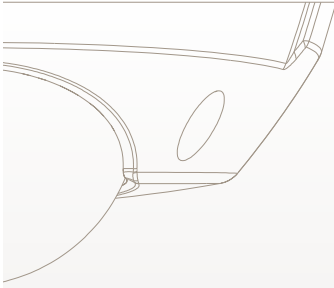
Invoiced sales per region (SEK M)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2007	2007	2008	2008	2008	2008	2009	2009	2009	2009	2010	2010
EMEA	212.3	245.0	220.5	249.0	234.7	243.2	223.0	222.5	235.6	319.9	291.0	265.2
Americas	198.2	194.9	173.8	211.7	263.4	203.6	259.2	277.8	281.6	266.8	285.2	347.6
Asia	33.8	38.6	43.3	33.1	44.9	53.7	49.4	41.9	50.8	72.1	66.4	65.5
TOTAL	444.2	478.6	437.5	493.8	543.0	500.5	531.6	542.2	568.0	658.8	642.6	678.3

Parent Company income statement

(SEK M)	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Net sales	3.6	5.9	10.9
Gross profit	3.6	5.9	10.9
Administrative costs	-4.8	-7.1	-14.3
Operating profit	-1.2	-1.3	-3.4
Result from participations in Group companies	-	-	306.4
Financial income	24.3	22.5	132.7
Financial expenses	-14.6	-61.0	-80.3
Pretax profit	8.5	-39.8	355.4
Change in tax allocation reserve	-	-	-76.2
Tax	-2.2	-	-76.6
Net profit for the period	6.3	-39.8	202.6

Parent Company balance sheet

(SEK M)	June 30, 2010	June 30, 2009	Dec 31, 2009
Fixed assets	2.3	2.3	2.3
Receivables from Group companies	497.0	378.5	529.5
Accounts receivable and other receivables	2.0	1.5	0.6
Tax receivables	21.3	21.2	0.8
Cash and cash equivalents	0.0	0.0	146.9
Total	522.6	403.6	680.1
Shareholders' equity	120.9	149.2	391.7
Untaxed reserves	263.6	187.4	263.6
Tax liabilities	0.9	1.0	1.1
Current liabilities	137.2	66.0	23.7
Total	522.6	403.6	680.1



Review report

We have reviewed this report for the period January 1 to June 30, 2010, for Axis Group AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

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

Lund, July 7, 2010

Öhrlings PricewaterhouseCoopers AB

Bertil Johanson

Authorised Public Accountant

Auditor in charge

Analyst & Press Conference

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

Time: Wednesday, July 7 at 10 a.m.

Phone number: +46 (0)8 50 52 01 10

Participants from Axis AB will be:

Ray Mauritsson, President and Fredrik Sjöstrand, CFO.

A recorded version of the teleconference will be available for ten business days on:

+46 (0)8 50 52 03 33, code: 868516.

Or contact:

Margareta Lantz

Manager, Investor Relations & Corporate Communications

Phone: +46 (0)46 272 18 00

