

Interim report January–June 2011



The second quarter

- Net sales increased by 10 percent during the second quarter to SEK 747 M (678). Net sales increased by 27 percent in local currencies.
- Operating profit increased to SEK 90 M (74), which corresponds to an operating margin of 12.1 percent (10.9).
- Profit after tax amounted to SEK 66 M (53).
- Earnings per share amounted to SEK 0.96 (0.76).

The first half-year

- Net sales amounted to SEK 1,555 M (1,321) during the first half-year, corresponding to growth of 18 percent. Net sales increased by 33 percent in local currencies.
- Operating profit increased to SEK 216 M (169), which corresponds to an operating margin of 13.9 percent (12.8).
- Profit after tax amounted to SEK 157 M (122).
- Earnings per share amounted to SEK 2.27 (1.76).

Further growth potential

After three very strong quarters with sales growth, measured in local currencies, of well over 30 percent, we noted a sales increase during the second quarter which was more in line with long-term expectations. Axis' sales of network video products are irregular at times, with significant disparities in the growth rate between quarters in the different regions. Some contributory factors to this are an increased proportion of larger projects and inventory strategies connected with the end of the quarter.

As stated previously, we had a higher level of costs in the second quarter. The increase in costs was primarily due to a higher recruitment rate in the first quarter and a high level of market activity in connection with a large number of trade fairs and product releases.

We are continuing to improve our network video products with innovative functions, based on our proprietary chip. We released a new

network camera in the AXIS Q16 Series during the second quarter, incorporating functionality which makes it one of the market's most light sensitive surveillance cameras.

Axis operates in a rapidly growing market and our expansion plans remain unchanged. We passed the level of 1000 employees in the second quarter, and expect the high rate of recruitment to continue during the second half of 2011. We have also established cooperation with new distributors, including in China and in the UK. Consequently, there is a good basis for a continued positive development within network video in line with the expected annual growth potential of 25-30 percent per year.



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.





Events during the second quarter

Many new orders in important end customer segments

Installations of Axis' network video products were carried out within all the major end customer segments during the quarter. The transport, city surveillance and retail segments continued to see the greatest interest. Axis secured new orders in France and China within transport, in Korea and France within city surveillance and in Brazil and Spain within retail.

Axis continues to train the market

Axis' partners are trained in the benefits of network video within the framework of the company's own training program, Axis Communications Academy. 120 training courses were conducted during the second quarter in all regions for 1 400 participants in total. More than approximately 20 000 participants have received training since the start in 2005.

Intensive trade fair period

Several major and important trade fairs within the security and video surveillance fields were organized around the world during the second quarter. Axis' products attracted much attention and generated considerable interest at ISC West in Las Vegas, IFSEC in Birmingham, ISC in Sao Paulo and MIPS in Moscow.

High rate of product releases

The product releases have continued at a high rate and several new network video products were introduced during the second quarter. At the ISC West security trade fair in Las Vegas, a network camera in the AXIS Q16 Series was released. This network camera is a perfect solution for indoor and outdoor surveillance in low-light conditions, especially where users require color information in the video to enhance recognition and identification of objects.

Another network camera in the P55 Series was released during the period, ideal for applications that require both wide overview surveillance and sharp, zoomed-in views for identification purposes, such as at airports, train stations and shopping malls. The camera features two different lenses to allow users to obtain a 360° panoramic view and 18x zoom for detailed HDTV-quality surveillance.

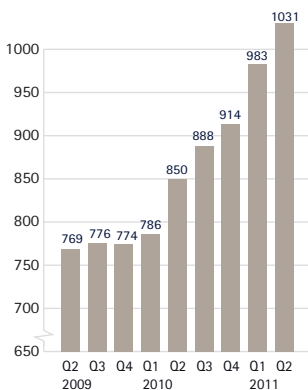
No component shortage as a consequence of the events in Japan

The disaster in Japan did not result in any significant access to components. It is difficult to judge how business will be affected going forward, but there is still a risk of supply disruptions.

More than 1,000 employees

Axis is boosting its global presence through recruitments and new establishments. 48 people were recruited during the second quarter which meant that Axis had 1,031 employees (850) at the end of the period. The recruitments were primarily aimed at strengthening the global sales organisation and are essential in order to continue driving the technology shift from analog to digital surveillance.

Number of employees



Comments on the income statement and balance sheet

Net sales

The second quarter

Net sales in the second quarter amounted to SEK 747 (678), which was an increase of 10 percent. Foreign currency effects had a negative impact on sales of SEK 113 M.

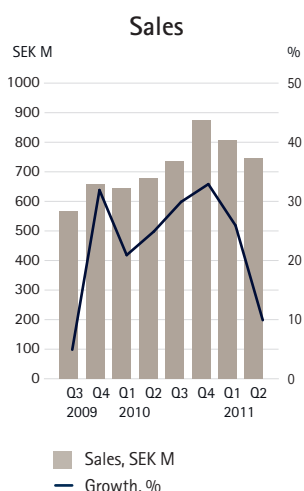
Sales in the EMEA region amounted to SEK 321 M (265) during the second quarter, corresponding to growth of 21 percent. Growth totaled 33 percent in local currency. Even though the countries in Southern Europe are still affected by financial turbulence, a number of installations were carried out during the quarter within city surveillance and transport, among other segments.

Sales in the Americas region amounted to SEK 350 M (348) during the second quarter, corresponding to growth of 1 percent. Growth totaled 21 percent in local currency. The shift to network video in the North American market is still proceeding rapidly and network products in security installations have become a more natural choice.

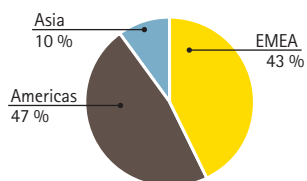
The Asia region reported sales of SEK 76 M (66) during the second quarter, corresponding to growth of 16 percent. Growth totaled 33 percent in local currency. There is considerable interest in network video products in the region as customers in the Asian market choose a digital system directly. Digital surveillance systems continue to show strong growth than analog systems, though from lower levels than the other regions.

The first half-year

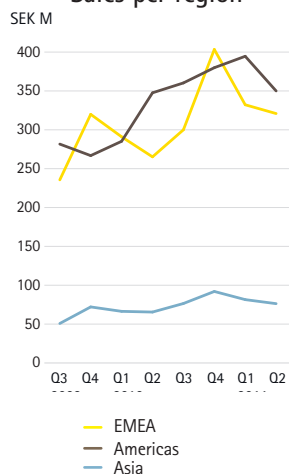
Net sales for the period January–June totaled SEK 1,555 M (1,321), an increase of 18 percent in Swedish kronor and 33 percent in local currency. Foreign currency effects, primarily from USD and EUR, impacted sales negatively during the period by SEK 198 M.



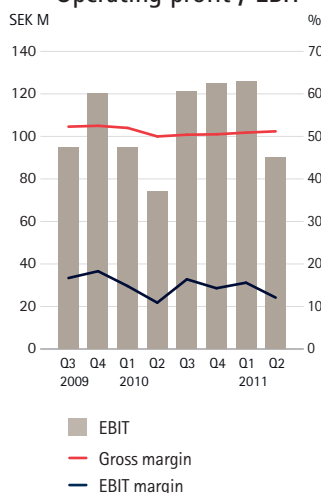
Invoiced sales per region, Q2 2011



Sales per region



Operating profit / EBIT



Invoiced sales per product group, SEK M	Q2 2011	Q2 2010	Q1–Q2 2011	Q1–Q2 2010	Full year 2010	Q310–Q211 12 months
Video	740.7	665.0	1 538.3	1 298.1	2 890.1	3 130.3
Other	6.4	13.3	17.1	22.8	42.9	37.2
TOTALT	747.2	678.3	1 555.5	1 320.9	2 933.0	3 167.6

Fakturering per region (Mkr)	Q2 2011	Q2 2010	Q1–Q2 2011	Q1–Q2 2010	Full year 2010	Q310–Q211 12 months
EMEA	320.9	265.2	653.1	556.2	1 259.6	1 356.5
Americas	350.0	347.6	744.6	632.8	1 373.0	1 484.8
Asia	76.3	65.5	157.8	131.9	300.4	326.3
TOTALT	747.2	678.3	1 555.5	1 320.9	2 933.0	3 167.6

Earnings

The second quarter

Operating profit during the second quarter amounted to SEK 90 M (74), corresponding to an operating margin of 12.1 percent (10.9). The lower operating margin compared to the first quarter was mainly explained by increased costs due to a higher rate of recruitment and a high level of market activity. The gross margin continued to be stable and amounted to 51.2 percent (50.0) during the second quarter.

Profit before tax totaled SEK 90 M (74). Profit after tax amounted to SEK 66 M (53). Changes in foreign exchange rates impacted operating profit negatively by SEK 32 M, compared with the corresponding period of the preceding year.

The first half-year

The group's operating profit amounted to SEK 216 M (169) during the first half-year, which corresponds to an operating margin of 13.9 percent (12.8). The gross margin totaled 51.0 percent (51.0). Profit before tax was SEK 215 M (168) and profit after tax was SEK 157 M (122). Changes in foreign exchange rates impacted operating profit negatively by SEK 77 M, compared with the corresponding period of the preceding year.

Condensed income statement, SEK M	Q2 2011	Q2 2010	Q1-Q2 2011	Q1-Q2 2010	Full year 2010	Q310-Q211 12 months
Net sales	747.2	678.3	1 555.5	1 320.9	2 933.0	3 167.6
Gross profit	382.4	339.2	794.0	673.0	1 486.3	1 607.3
Gross margin	51.2%	50.0%	51.0%	51.0%	50.7%	50.7%
Operating profit	90.2	74.0	216.4	169.2	415.0	462.2
Operating margin	12.1%	10.9%	13.9%	12.8%	14.1%	14.6%
Pretax profit	89.5	73.5	215.4	168.4	412.8	459.8

Cash flow, investments and financial position

The cash flow from operating activities for the period amounted to SEK 44 M (37). Net investments totaled SEK 42 M (22), of which capitalized development costs amounted to SEK 11 (9). Axis had SEK 131 (88) M in cash and cash equivalents at the end of the period, as well as unutilized credit facilities of SEK 125 (150). Accordingly, the company had a total of SEK 256 (238) M at its disposal at June 30, 2011.

Shareholders' equity

Consolidated shareholders' equity totaled SEK 467 (465) M. The total number of shares at the end of the period was 69,461,250 (69,385,350). Axis has no outstanding stock option programs. The group's equity/assets ratio at June 30, 2011 was 37 percent (41).



(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan 1, 2010	0.7	275.0	-0.6	333.3	608.4
Total comprehensive income for the period	-	-	12.1	121.8	133.9
Dividend	-	-	-	-277.5	-277.5
Closing balance at 31 June, 2010	0.7	275.0	11.5	177.6	464.8
Opening balance at Jan 1, 2011	0.7	279.2	-8.3	355.6	627.2
Total comprehensive income for the period	-	-1.1	-3.8	157.4	152.5
Dividend	-	-	-	-312.6	-312.6
Closing balance at 31 June, 2011	0.7	278.1	-12.1	200.4	467.1

The parent company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. Sales totaled SEK 5 M (4). Operating profit amounted to SEK -4 (-1). Cash and cash equivalents totaled SEK 24 M (0) and borrowing was SEK 75 (50). No investments have taken place during the period.



Outlook

Axis and external market research institutions estimate the annual growth potential of the network video market to be 25–30 percent in the next few years. Axis has a good basis for a continued positive development within network video in line with the expected annual growth potential. The, at times, irregular sales trend between individual quarters is expected to continue.

In order to meet market demand and retain its position as the market-leading supplier of network video solutions, Axis will continue to develop and release a large number of innovative products, refine the partner network and also recruit more personnel and expand globally.

Other

Risks and uncertainties

Axis' operations are subject to a number of risks and uncertainties, which are described in the 2010 Annual Report. Apart from the above-mentioned risk relating to the supply of components in Japan, no new material risks or uncertainties are deemed to have arisen as at June 30.

Accounting policies

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

The Axis share

The company's share is listed on the OMX Nordic Exchange, Stockholm AB in the Mid Cap segment, under the ticker AXIS. Axis' share had a turnover of 17,936,415 shares during the period January–June, which gave an average turnover of 145,825 shares per trading day, at a value of SEK 19 M. The average price of the share during the period was SEK 136,02.

Reporting dates

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

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

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

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.

Ray Mauritsson
Verkställande direktör

Lars-Erik Nilsson
Styrelseordförande

Martin Gren
Charlotta Falvin
Roland Vejdemo

Olle Isberg
Göran Jansson

Consolidated income statement

(SEK M)	Q2 2011	Q2 2010	Q1–Q2 2011	Q1–Q2 2010	Full year 2010	Q310–Q211 12 months
Net sales	747.2	678.3	1,555.5	1,320.9	2,933.0	3,167.6
Cost of sold products and services	-364.8	-339.1	-761.5	-647.9	-1,446.7	-1,560.3
Gross profit	382.4	339.2	794.0	673.0	1,486.3	1,607.3
Other revenues and changes in value	5.6	-8.1	-9.0	-12.3	-22.3	-19.0
Selling and marketing costs	-149.6	-134.1	-280.5	-257.1	-553.6	-577.1
Administrative costs	-31.7	-27.7	-65.0	-55.3	-113.3	-122.9
Research and development costs	-116.5	-95.3	-223.0	-179.1	-382.1	-426.0
Operating profit *	90.2	74.0	216.4	169.2	415.0	462.2
Financial expenses	-0.8	-0.5	-1.1	-0.8	-2.2	-2.5
Pretax profit	89.5	73.5	215.4	168.4	412.8	459.8
Tax	-23.1	-20.9	-58.0	-46.5	-113.0	-124.5
Net profit for the period	66.4	52.6	157.4	121.9	299.8	335.3
Other comprehensive income						
Cash flow hedges	-	-8.7	-	0.7	1.2	0.5
Hedging of net investments	-	-	-	0.3	0.3	0.0
Exchange rate differences	0.1	11.1	-4.9	11.4	-8.8	-25.1
Tax attributable to components in other comprehensive income	-	2.3	-	-0.3	-0.4	-0.1
Other comprehensive income for the period, net after tax	0.1	4.7	-4.9	12.1	-7.7	-24.7
Net profit for the period	66.5	57.3	152.5	134.0	292.1	310.6
Total comprehensive income attributable to: The Parent Company's shareholders	66.5	57.3	152.5	134.0	292.1	310.6
Earnings per share before dilution, SEK	0.96	0.76	2.27	1.76	4.32	4.83
Earnings per share after dilution, SEK	0.96	0.76	2.27	1.76	4.32	4.83
Average number of shares before dilution, thousands	69,461	69,381	69,461	69,379	69,406	69,461
Average number of shares after dilution, thousands	69,461	69,445	69,461	69,445	69,406	69,461

* Net effects 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 15 M for the first six months.

Cash-flow statement

(SEK M)	Q2 2011	Q2 2010	Q1–Q2 2011	Q1–Q2 2010	Full year 2010	Q310–Q211 12 months
Cash flow from operating activities before change in working capital	76.7	78.3	169.0	146.8	368.6	390.8
Change in working capital	6.8	-75.5	-124.8	-109.4	22.8	7.4
Cash flow from operating activities	83.5	2.8	44.2	37.4	391.4	398.2
Cash flow from investment activities	-13.6	-11.9	-42.0	-21.6	-51.7	-72.1
Cash flow from financing activities	-237.5	-227.4	-237.4	-229.7	-275.2	-282.9
Cash flow for the period	-167.6	-236.5	-235.2	-213.9	64.5	43.2
Cash and cash equivalents, beginning of period	298.7	324.4	366.3	301.8	301.8	87.9
Cash and cash equivalents, end of period	131.1	87.9	131.1	87.9	366.3	131.1

Consolidated balance sheet

(SEK M)	2011-06-30	2010-06-30	2010-12-31
Fixed assets	169.3	132.1	141.4
Inventories	382.9	372.1	294.2
Trade receivables	446.8	433.7	420.9
Other receivables	116.6	103.7	56.2
Cash and cash equivalents	131.1	87.8	366.3
Summa	1,246.7	1,129.4	1,278.9
Shareholders' equity	467.1	464.9	627.2
Long-term liabilities	107.3	76.6	92.9
Payables	264.9	173.7	235.3
Current liabilities	407.4	414.1	323.5
Summa	1,246.7	1,129.4	1,278.9

Key figures

	Q2 2011	Q2 2010	Q1-Q2 2011	Q1-Q2 2010	Full year 2010
Net sales growth (%)	10.2	25.1	17.8	23.0	27.5
Gross margin (%)	51.2	50.0	51.0	51.0	50.7
Operating margin (%)	12.1	10.9	13.9	12.8	14.1
Profit margin (%)	12.0	10.8	13.8	12.7	14.1
Depreciation/amortization (SEK M) *	36.0	40,3	36.0	40.3	41.1
Shareholders' equity (SEK M)	467	465	467	465	627
Capital employed (SEK M)	574	542	574	542	720
Interest-bearing liabilities (SEK 000s)	75	50	75	50	0
Net debt (SEK 000s) **	56	38	56	38	366
Total assets (SEK M)	1,247	1,129	1,247	1,129	1,279
Return on capital employed (%) *	71.4	60.3	71.4	60.3	59.2
Return on total capital *	36.6	34.2	36.6	34.2	34.6
Return on equity (SEK M) *	61.9	52.6	61.9	52.6	49.3
Interest-coverage ratio (times) *	188.1	240.3	188.1	240.3	191.4
Equity/assets ratio (%)	37.5	41.2	37.5	41.2	49.0
Share of risk-bearing capital (%)	48.1	49.7	48.1	49.7	54.9
Capital turnover ratio (times)	1.2	1.1	1.2	1.1	4.2
Number of employees (average for the period)	1,012	828	988	806	848
Sales per employee (SEK M) *	3.1	3.1	3.2	3.2	3.5
Operating profit per employee (SEK M) *	0.5	0.5	0.5	0.5	0.5

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

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

Per-share data

	2011-06-30	2010-06-30	2010-12-31
Share price at end of period, SEK	128.50	90.00	122.50
Dividend, SEK	4.50	4.00	4.00
P/E multiple	28	26	28
Earnings per share before dilution, SEK	2.27	1.76	4.32
Earnings per share after dilution, SEK	2.27	1.76	4.32
Average number of shares before dilution, thousands	69,461	69,381	69,406
Average number of shares after dilution, thousands	69,461	69,445	69,406
Number of shares outstanding (thousand)	69,461	69,385	69,461

Quarterly data

Invoiced sales per product group (SEK M)	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Video	522.4	480.4	509.7	531.3	558.1	645.8	633.1	665.0	722.1	869.0	797.6	740.7
Other	20.6	20.1	21.9	10.9	9.9	13.0	9.5	13.3	14.7	6.3	10.7	6.4
TOTALT	543.0	500.5	531.6	542.2	568.0	658.8	642.6	678.3	736.8	875.3	808.3	747.2

Invoiced sales per region (SEK M)	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
EMEA	234.7	243.2	223.0	222.5	235.6	319.9	291.0	265.2	300.0	403.4	332.2	320.9
Americas	263.4	203.6	259.2	277.8	281.6	266.8	285.2	347.6	360.3	379.9	394.6	350.0
Asia	44.9	53.7	49.4	41.9	50.8	72.1	66.4	65.5	76.5	92.0	81.5	76.3
TOTAL	543.0	500.5	531.6	542.2	568.0	658.8	642.6	678.3	736.8	875.3	808.3	747.2

%	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Net sales growth (%)	22.2%	4.6%	21.5%	9.8%	4.6%	31.6%	20.9%	25.1%	29.7%	32.9%	25.8%	10.2%
Gross margin (SEK M)	297.8	269.2	296.7	296.7	297.0	345.8	333.8	339.2	371.0	442.3	411.5	382.4
Gross margin (%)	54.8%	53.8%	55.8%	54.7%	52.3%	52.5%	52.0%	50.0%	50.4%	50.5%	50.9%	51.2%
Operating margin (SEK M)	131.1	49.4	46.4	46.4	94.6	120.6	95.2	74.0	120.5	125.3	126.2	90.2
Operating margin (%)	24.3%	9.9%	8.7%	8.6%	16.7%	18.3%	14.8%	10.9%	16.4%	14.3%	15.6%	12.1%

Parent Company income statement

(SEK M)	Q1-Q2 2011	Q1-Q2 2010	Helår 2010
Net sales	4.7	3.6	8.1
Gross profit	4.7	3.6	8.1
Administrative costs	-8.6	-4.8	-11.6
Operating profit	-3.9	-1.2	-3.5
Result from participations in Group companies	-	-	327.2
Financial income	21.4	24.3	66.9
Financial expenses	-15.0	-14.6	-22.3
Pretax profit	2.5	8.5	368.2
Change in tax allocation reserve	-	-	-92.8
Tax	-0.7	-2.2	-74.0
Net profit for the period	1.8	6.3	201.4

Parent Company balance sheet

(SEK M)	June 30, 2011	June 30, 2010	Dec 31, 2010
Fixed assets	16.1	2.3	2.3
Receivables from Group companies	373.3	497.0	525.6
Accounts receivable and other receivables	3.1	2.0	0.8
Tax receivables	27.1	21.3	0.0
Cash and cash equivalents	23.8	0.0	174.9
Total	443.4	522.6	703.6
Shareholders' equity	8.9	120.9	319.7
Untaxed reserves	356.4	263.6	356.4
Tax liabilities	1.0	0.9	1.0
Current liabilities	77.1	137.2	26.6
Total	443.4	522.6	703.6

Review report

We have reviewed this report for the period January 1 to July 30, 2011, 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 ISA 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 8, 2011

PricewaterhouseCoopers AB

Ola Bjärehäll

Authorized Public Accountant

Auditor in charge

Analyst & Press Conference

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

Time: July 8 at 10.00 a.m.

Phone number: +46 8 50 52 01 10

Specify Axis Communications.

For further information please contact:

Ray Mauritsson, President

Fredrik Sjöstrand, CFO

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Axis discloses the information provided herein pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on 8 July at 8.00 a.m. CET.