



Annual report 2008



AXIS[®]
COMMUNICATIONS

Shortcut to Axis

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, open technology platforms.



Axis – a global company

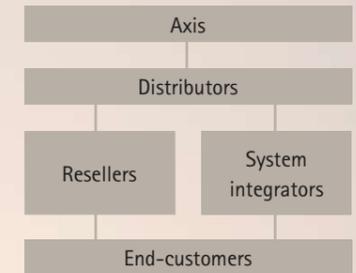
Axis is a Swedish-based company, operating worldwide with offices in more than 20 countries and cooperating with partners in more than 70 countries.

The Axis share

Founded in 1984, Axis is listed on NASDAQ OMX Nordic, under the ticker AXIS. The number of shareholders on December 31, 2008 was 17,503.

Axis' business model

Axis' products reach the market via a two-stage model; from distributors mainly via system integrators to end-customers. More than 24,000 partners participated in Axis' partnership program as of year-end.



Axis' products in the world

Axis' network video products are installed in public places, in stores, in airports, on trains, on motorways, at universities, in prisons, in casinos, in banks etc.

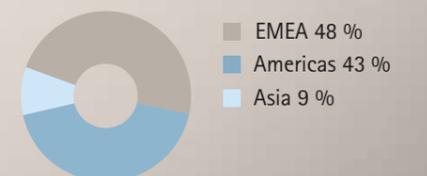
Axis product portfolio

The majority of Axis' sales are accounted for by the Video product area; network cameras, video encoders, accessories and application software.

Invoicing per product group, 2008



Invoicing per region, 2008



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Product generation which creates new possibilities



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New platform provides products of tomorrow



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The year in brief

Sales totaled SEK 1,975 M (1,671), corresponding to growth of 18 percent.

Operating profit amounted to SEK 341 M (368).

Profit after tax totaled SEK 252 M (259).

A new generation of network video products built on the internally developed ARTPEC®-3 chip were released. ARTPEC®-3 includes the H.264 compression standard which means that more information can be sent and stored with maintained or improved image quality than was possible with previous compression standards.

During the year, Axis strengthened its market presence and established three new offices; in Moscow, Russia, in São Paulo, Brazil and in Beijing, China.

The partnership program was advanced and Axis had more than 24,000 partners as of December 31, 2008.

The global expansion plan continued and the workforce increased by 152 persons. The company had 716 employees at year-end.

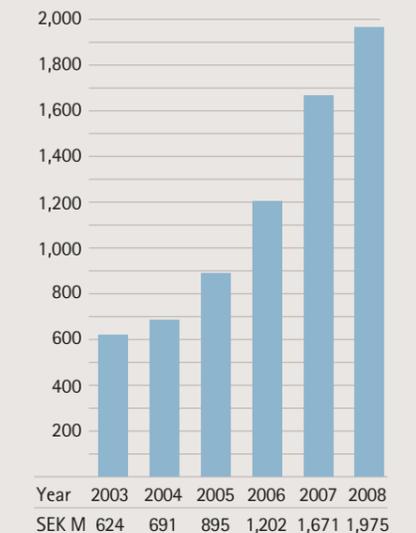
Axis maintains its position as market leader for network cameras with a market share of 33.5 percent according to the market research institute IMS*.

The inflow of new projects has continued to be good and there is considerable interest for network video. The current financial turmoil has, however, affected new investments and expansion plans by Axis' customers which in turn has impacted Axis' sales growth.

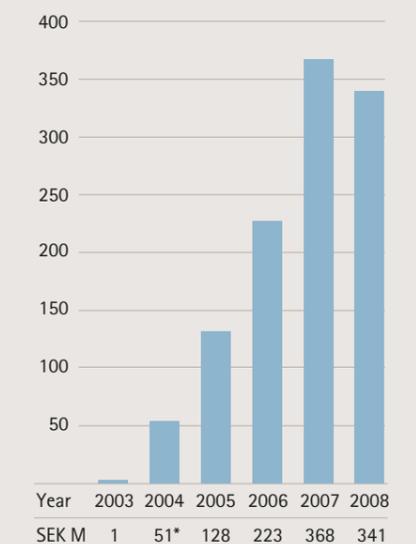
* The 2008 edition of the report "The world market for CCTV Et Video Surveillance Equipment".



Net sales



Operating profit / EBIT



* The figures for 2004 are adjusted according to IFRS

Key ratios

Group, SEK M	2008	2007
Net sales	1,975	1,671
Operating profit	341	368
Profit before tax	340	367
Profit after tax	252	259
Earnings per share, SEK	3.63	3.73
Cash and cash equivalents at close of period	213	384



An eventful year with continued expansion

Even before 2008 began, we could detect a certain slowdown in the high rate of market growth we experienced during 2007. The market weakened further and the growth rate fell during the second half of the year, in line with the ongoing financial turmoil. Despite this slowdown, Axis could report growth of 18 percent for 2008, which delivered total sales of SEK 1,975 million. Continued stable gross margins resulted in a profit before tax of SEK 340 million or 17.2 percent.

The ongoing shift from analog video surveillance solutions to network video systems continued at a high pace during the year, apart from the negative impact of the generally lower rate of investment on the market. During the year, Axis has also maintained its strong market-leading position for network cameras. The increasing interest for network video is demonstrated, among other ways, in the large inflow of new partners to our partnership program. The number of partners increased from 14,000 to 24,000 during the year.

Rapid technology shift important

A number of important initiatives have been taken and technologies for advancing the shift have been introduced. Particularly worthy of mention are:

- > H.264, the new video compression standard, which significantly improves both storage and transfer of video, has become available in a number of Axis' products.
- > The ONVIF organization, with the mission of establishing a global open standard for the interface of network video products.

During spring, Axis launched a new technological platform built on our internally developed integrated chip ARTPEC®-3. All products based on this new platform also support the new H.264 coding standard. Axis has taken network video to new heights with this platform. A large number of products based on this new platform were introduced during the year, for example, video encoders which offer by far the best performance on the market. Additional models will be launched during 2009. Axis is also continuing its long-term development on a platform level, which will ensure a continual broadening and development of the product portfolio for many years to come.

International cooperation with Bosch and Sony

ONVIF, mentioned above, is another important initiative, which will make network video solutions even more interesting for both system integrators and end users. The interoperability which the standardization work aims to ensure, will in time imply that a system integrator or an end user will find it easier to choose and combine different suppliers' network video products in the same video management system. The open standardization organization ONVIF was created during the spring by Axis Communications, Bosch and Sony. A further twenty or so global suppliers, including Panasonic, became active members in the organization during the fall.

Strong global expansion

For Axis, 2008 has also seen a continued strengthening of our organization by 152 new employees in total. We have not just strengthened the capacity within product development, customer support, sales, marketing and all support functions through this expansion. We have also established ourselves on new geographical markets where we were not present with our own resources previously. These

new markets include Russia and South America, but also Eastern Europe and parts of Asia. We now have more than 20 offices throughout the world, which gives us a global focus with a local presence. A well-structured recruitment process and deployment of the previously established global introduction program for new employees has enabled the strong expansion to be carried out while maintaining a distinct corporate culture.

Major long-term growth potential but 2009 is difficult to predict

It is very difficult at present to predict the future impact of the rapid deterioration in market conditions which occurred in 2008. While a number of major interesting procurement projects are ongoing throughout the world, at the same time, we also see many examples of projects being deferred to a future date. Some things are very clear, however:

- > The long-term shift from analog video solutions to network systems suggests a continued strong growth potential for Axis' products in the long-term.
- > With our comprehensive and constantly expanding product portfolio, we have a very competitive offering for the market.
- > Our broad and large partner network means that we are well represented and available with customized solutions on all markets.

By way of conclusion, I would like to thank all employees for a fantastic effort during 2008 and I would especially like to welcome all the new employees. We are now very well equipped for continued growth.

Ray Mauritsson
President





Business mission and objectives

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 technical platforms.

Overall goals

- Axis' overall long-term financial goals are;
- > total average annual growth of at least 20 percent for the Group,
 - > a profit margin of at least 10 percent and
 - > an equity/assets ratio in excess of 50 percent.

In the near-term, the overall goal is to strengthen the company's market-leading position in the network video market, a market that market analysts expect to grow by approximately 35 percent annually over the next five years. The conditions for a long-term increase in shareholder value shall be created through growth, continued profitability and a stable financial base.

Overall strategy

- In order to retain the company's market-leading position, the strategy is to;
- > develop and market a broad and innovative product portfolio of high quality network video products,
 - > constantly be at the cutting edge by offering the latest technology within the network video area,
 - > continually advance dedicated collaboration with partners such as distributors, system integrators, resellers and application developers (Application Development Partners , ADPs),
 - > expand the operations with local presence on a global market. ■

Goal fulfilment 2008

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: Axis shall maintain an offensive launching rate within the Video product area with new products and solutions intended for professional installations. Axis' network video solutions shall be scalable, cost efficient, intelligent and deliver enhanced flexibility and high performance.

2008: Axis has launched a new generation of network video products built on the internally developed ARTPEC®-3 chip. ARTPEC®-3 includes the H.264 compression standard which means that more information can be sent and stored with maintained or improved image quality. New intelligent features such as Active Tampering Alarm (alarm in event of vandalism) and Auto-tracking have been developed and integrated in the network video products.

Strategy: The Video product portfolio shall be supplemented with software applications, in order to offer the customers effective standardized video applications and remote monitoring systems.

2008: AXIS Camera Station has been advanced and now offers a general interface where up to 50 cameras can be displayed. Axis is continuing its collaboration with ADPs (Application Development Partners).

Strategy: Axis shall retain the leading technological position through a continued focus on research and development efforts. The basis consists of platforms that ensure high quality and performance in all products.

2008: Axis has advanced the product portfolio and has added value to the products, among other ways, by launching products which are built on the new internally developed ARTPEC®-3 chip. A succession of new high quality products were introduced and were well-received by the market.

Strategy: Axis' products shall be manufactured in collaboration with partners that are specialized in contract electronics production.

2008: Axis has continued the close cooperation with a handful of contract manufacturers in order to optimize product supply to the market.

Axis' vision

Everything can communicate over intelligent networks.

Axis' mission

To be the driving force in bringing customers the full benefits of intelligent network video solutions.

Loyalty in the partner network

The strategy for further increasing the market presence involves close collaboration with partners, such as system integrators and resellers, in order to increase the global presence in a scalable and cost-effective manner.

Strategy: Axis shall continue to advance strategic cooperation with partners, both locally and globally, in order to spread knowledge of the benefits of network video.

2008: Axis has continued and advanced collaboration with strategic partners and has continually improved its work with partners on a local basis. During the year, the partnership program was initiated in the Asia region. The number of partners totaled more than 24,000 worldwide at year-end.

Strategy: Axis shall focus on developing business within the six end customer segments: Retail, Education, Government (incl. public surveillance), Transportation, Bank & Finance and Industrial.

2008: Business has been carried out within all customer segments during the year. Axis has noticed an increased interest for network video installations, particularly within the transport sector and public surveillance.

Strategy: Axis shall continue its efforts to drive the current shift from analog to network video solutions, among other ways, by offering training within Axis Communications Academy, as well as by attending trade fairs and partner events.

2008: Partners in all regions have been trained since the commencement of the training program. Training efforts were intensified in Asia during the year. More than 3,000 partners have participated in training arranged by Axis. During the year, Axis successfully participated in more than 80 major trade fairs and in a large number of local activities worldwide.

Global company

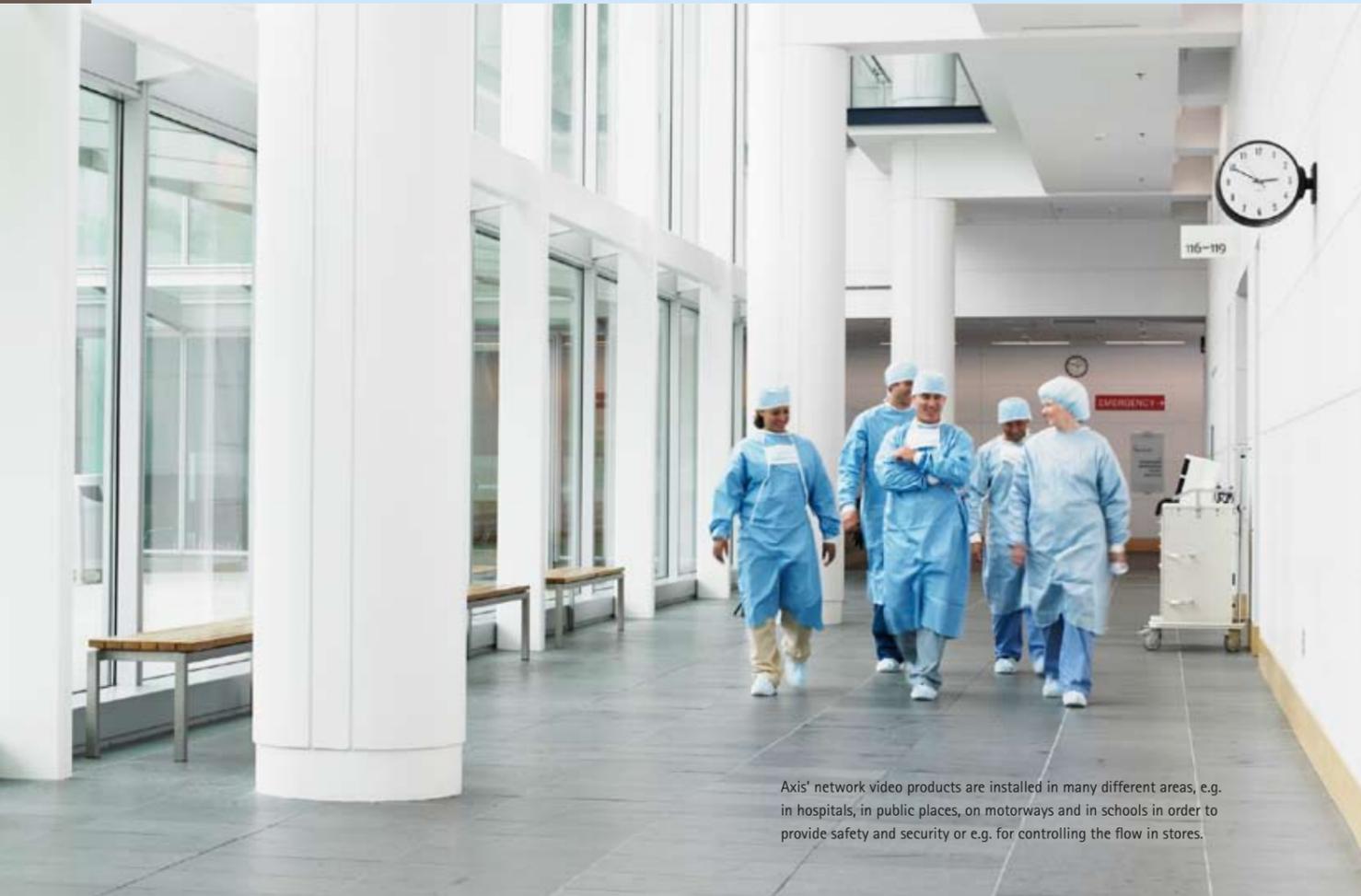
Axis is a growth company which has the goal of increasing the number of staff at existing offices as well as establishing new local offices.

Strategy: Axis shall principally continue to grow organically. Acquisitions aimed at increasing the company's geographical reach are, however, not ruled out.

2008: In 2008, Axis established three new offices in three countries; in Moscow, Russia, in São Paulo, Brazil and in Beijing, China.

Strategy: Axis shall continue to attract and recruit skilled personnel on a global basis within identified areas.

2008: During the year, Axis' workforce grew within all competence areas during the year. The company has employed 152 people, which represents an increase in the workforce of 20 percent.



Axis' network video products are installed in many different areas, e.g. in hospitals, in public places, on motorways and in schools in order to provide safety and security or e.g. for controlling the flow in stores.

Interest for network video on the security market

Axis is market leader and the recognized dominant player on the professional market for network video. Interest for and knowledge of network video has accelerated in recent years and the market is predicted to have great future potential. IMS Research estimates global growth for network video of 35 percent per year over the next five years.

Axis' growth potential is based on the ongoing technology shift from analog surveillance systems to network video solutions. Added to this are the possibilities related to new application areas and new customer segments for network video, for instance, within healthcare, retail and manufacturing industry. Legal requirements on camera surveillance within specific areas can also imply a business opportunity. In its capacity as 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 application areas.

Long tradition of surveillance

The market for surveillance equipment came about in the 1950s when the first analog cameras were installed. Since then the products have been progressively developed. Analog cameras with color images were introduced in the 1970s and ten years later, the possibility of recording video sequences was offered.

The market research institute IMS Research* forecasts that the total market for video surveillance (CCTV), including for example, surveillance cameras, recording equipment and video encoders, will



continue to see sustainable growth. The security market has been relatively insensitive to fluctuations in market conditions and in recent years has been estimated to grow in the magnitude of 8–12 percent annually.

According to IMS Research, Axis was the world's sixth largest supplier of video surveillance equipment in 2007, compared to eighth place in 2006.

Digital revolution

Axis introduced the network camera in 1996, the first company in the world to do so, and the company has been market-leading ever since then. When the AXIS 200 network camera was launched in 1996, a technology shift commenced from analog to network video solutions.

The shift from analog to digital technology creates possibilities for a new way of thinking when a security system shall be installed. The earlier closed systems have to give way to open and fully integratable systems with network cameras. According to IMS Research, network cameras are assumed to account for between 40 and 50 percent of total new camera sales in 2013. The corresponding share in 2007 was 20 percent.

High growth on the market

For a number of years, the market for installations of network video products has been predicted to display global growth of approximately 40 percent per year. Due to the economic slowdown, IMS Research reduced its expectations during 2008 and now forecasts growth of approximately 35 percent per year on a global basis over the next five years.

The interest for network video products remains which means that the technology shift will continue at the same rate as before, forecasts IMS Research. The shift is still in an early phase with approximately 15 percent global penetration for network cameras but the market is forecast to have great potential going forward.

Global market leader

IMS Research ranks Axis as the undisputed market leader within network cameras and the company has captured additional market shares during the year. Axis has reached its position through solid know-how about products and solutions, well-established sales channels, good relationships with partners and a portfolio featuring innovative products. Axis is the third largest company in the security camera category, which includes analog as well as network cameras, compared with fourth place in the previous report.

Regional differences

IMS Research forecasts network video growth in all geographical regions. The Asia region is expected to experience a higher growth rate in the security market generally as the region has a lower share of digital installations today. It is a logical development since large parts of the Asian market are facing infrastructural developments. In the EMEA region, those parts of the region where the penetration level of digital surveillance is low, are expected to display greater growth than the regional average. The Americas region has displayed good growth over a long period as the market took advantage of 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 anticipated to be more stable over the coming years.

Competitors

The interest for network video products rose during the year, which has also meant that the competition has gradually increased. Axis' largest competitors are still manufacturers of analog cameras. The dominating manufacturers of traditional, analog cameras are global players such as Pelco, Panasonic and Bosch. Examples of competitors offering network cameras include Sony, Panasonic and Mobotix. Within the network camera category, suppliers have elected to specialize in different technology areas, e.g. megapixel. American AreCont and IQinvision are two examples of niche suppliers within megapixel cameras.

Print & Scan

Axis offers a broad range of print servers and can satisfy the needs of both smaller customers as well as major companies and organizations. The customers continue to display interest for Axis' products within the Scan product area. The market for print servers is mature, but with a well-balanced product portfolio and a well extended distribution network, Axis has the strength to maintain its position on the market with an installed base of more than three million units. Axis is continuing with sales and marketing of print servers in collaboration with existing sales partners. Axis' main competitors in the Print product area are Hewlett-Packard (HP) and D-Link. ■

**The edition of the report for 2008 "The world market for CCTV & Video Surveillance Equipment".*

Market shares for video surveillance equipment, 2007

Rank	Supplier
1	Pelco
2	Panasonic (PSS)
3	Bosch Security Systems
4	Honeywell
5	GE Security
6	Axis Communications
7	Tyco Fire Et Security
8	Samsung Electronics
9	Dedicated Micros
10	CBC

Market shares for security cameras, 2007

Rank	Supplier
1	Panasonic (PSS)
2	Pelco
3	Axis Communications
4	Bosch Security Systems
5	Sony
6	Samsung Electronics
7	Samsung Techwin
8	Honeywell
9	GE Security
10	Tyco Fire Et Security

Market shares for network cameras, 2007

Rank	Supplier	Share
1	Axis Communications	33.5 %
2	Sony	
3	Panasonic (PCC)	
4	Mobotix	
5	Panasonic (PSS)	
6	D-Link	
7	Bosch Security Systems	
8	Vivotek	
9	ACTi Corporation	
10	DVTel	

Caught in the act

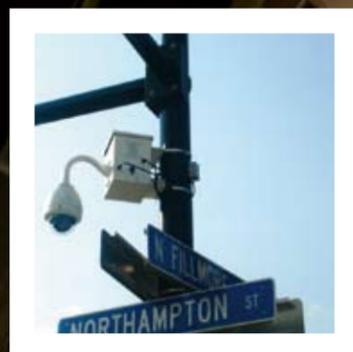
Police protect citizens with help of wireless video surveillance

When Byron Brown took over as Buffalo's Mayor in 2006 one of his goals was to reduce criminality in the city by installing a video surveillance system. The demands on the system were strict: in addition to the cameras' image quality being good enough to read off registration plates from a distance of 200 meters and function in both light and darkness, it must also endure wind and water. Flexibility was another important requirement since they wanted to supplement and move cameras among various high risk sites.

AXIS 233D was chosen since it fulfilled all requirements. Avrio Group, the system integrator, mounted 56 cameras on existing posts around the city, and even before the installation was completed, the police had made five interventions with the help of the cameras. Apart from furnishing evidence to the police, the surveillance system is of great assistance in assessing which preparations and efforts are required in different situations. The citizens are very satisfied with the system, which is illustrated in the many requests for more cameras that have been made to the Mayor. "The response to the system has been positive from day one, since the citizens have seen an immediate result of it", says Mayor Brown, who is hoping to be able to install a further 40 cameras. ■



AXIS 233D





Product generation which creates new possibilities

Axis' product portfolio consists of a comprehensive product offering of network cameras, video encoders, application software as well as accessories. The product portfolio has been expanded during 2008 with additional small smart cameras, cameras delivering HDTV image quality, high-performance video encoders and cameras which can be easily installed. The Print & Scan product area accounts for a smaller share of the product portfolio.

Axis' network cameras are found in security installations, in all from smaller stores and offices to comprehensive installations on trains, at motorways, in universities, in banks, in retail chains, on streets and squares as well as within industry all over the world.

Benefits that create opportunities

The benefits of network, or IP surveillance compared with the analog technology are considerable. Network cameras offer users the possibility of remote monitoring, which means that they can gain access to video from a computer 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 rebuilding and expansion of the system. By using the proven network video technology, systems become more cost efficient. Power over Ethernet (PoE), in other words, power supply via network cable, is one of the competitive advantages of network installations.

Cost efficient system

By using the well-proven technology you gain cost efficient systems. This has been shown in the study, Total cost of ownership (TCO), carried out by an independent consultant which makes clear the cost efficiency of the IP surveillance system.



The study shows that the breakpoint for new installations is reached at approximately 30 cameras. This means that if the installation contains around 30 cameras the cost is lower with a network solution. One reason that the breakpoint is reached at about 30 cameras is that in an analog system, a DVR (digital video recorder) is used, which is equipped with 16 or 32 channels. When 32 are connected in an analog system which shall be expanded, additional DVR equipment must be installed. In a digital system DVR is not used, rather you have scalable storage solutions as required, which saves costs. Even from 16 cameras and upwards, the cost difference is negligible, even if the analog solution has a somewhat lower purchase price. If there is an existing network, the IP solution is always a cheaper alternative, since it takes advantage of the existing cables. An analog solution always requires new installation of cables and monitors.

Cooperation for open platform

All Axis' products are built on an open platform, which means that application developers have the possibility to develop and integrate software applications in order to adapt the product's functionality to its field of application. To strengthen this further, Axis, Bosch and Sony initiated cooperation, ONVIF (Open Network Video Interface Forum) during the year. ONVIF's mission is to establish a global open standard for the interface of network video products. The new standard will make it easier to integrate network video equipment from different suppliers and will help manufacturers and independent software developers to guarantee product interoperability. The standardization initiative that Axis, Bosch and Sony have taken, demonstrates the companies' strong wish to support the current shift from analog to network surveillance on the security market. Other international companies such as Panasonic, Hikvision, Ciefte and Indigo Vision have also joined the

collaboration during the year. Continuous information is available on www.onvif.org.

Intelligence facilitates the operator

A network system also offers the possibility to supply intelligent applications such as, for example people counters. Axis possesses deep competence within the area and works in close cooperation with partners in order to be able to offer the customers intelligent solutions in systems where network cameras and video encoders are the main components. Since the end of the year, the majority of Axis' network cameras are equipped with Active Tampering Alarm. This is intelligent software which means that a signal is sent to the operators if the camera is subjected to external influence. In this way, the operators can take action to fix the damage immediately. The Auto-tracking function has been integrated in the AXIS 233D network camera during the year. The function means that the camera automatically follows a target or a person that moves within the area surveyed by the camera.

Professional product portfolio

Axis' portfolio is principally divided into two product areas: Video and Print & Scan. Video includes network cameras, video encoders, accessories and application software. Print & Scan consists of products for print server solutions for flexible print management and document processing.

Video product area

Axis' network cameras can be divided into two categories, fixed and PTZ (Pan, Tilt, Zoom) cameras. In each category there are also dome cameras. Axis fixed cameras are suitable for both indoor and outdoor installations where a specific area shall be monitored. PTZ cameras are usefully deployed when the user wants to pan over an area.



ARTPEC®-3 introduced in the products

A number of network video products were launched on the market during the year. Several of them are built on a new platform which is based on the internally developed ARTPEC®-3 chip. The chip provides the products with a range of advantageous characteristics, for example, three times higher performance than before. The new product generation includes the H.264 image compression standard which enables an easier, more cost effective installation and can handle larger systems. This also means that more video information can be handled on less storage space. With the launch of the new generation network video solutions Axis is lifting video surveillance to new heights. Axis is improving the capacity in modern video surveillance solutions by integrating the H.264 image compression standard into all new products. Just like the predecessors, the new generation is built on an open platform for intelligent video, which offers the user great freedom.

Smart and high quality products

The high quality products which are built on the new platform have generated considerable interest

on the security market. The network cameras AXIS P3301 and AXIS P1311 as well as video encoders AXIS Q7401, AXIS Q7406 and AXIS Q7900 Rack were the products initially announced during spring. AXIS P3301 generated great attention and received the award for best CCTV product at Detektor International Awards 2008. The AXIS Q7401 video encoder is deployed as a conversion product which translates signals from analog cameras to digital signals. AXIS Q7406 can handle up to six channels and AXIS Q7900 Rack is equipped with the possibility of converting up to 84 analog camera signals to digital.

Designed for easy installation

The compact AXIS M3011 Fixed Dome Network Camera is also part of the new generation, which is designed for rapid and easy installation in environments which the customer wants to place under discreet surveillance. The camera is installed in the ceiling and is mounted in the same way as a spotlight.



Small smart cameras

AXIS M10 is a series of small and smart network cameras. AXIS M1011, AXIS M1011-W and AXIS M1031-W are the products that were announced during the year. They offer high image quality and AXIS M1031-W is equipped with both speakers and microphone, which means that the operator can call for attention from the surroundings when an unforeseen event has occurred. AXIS M1031-W even detects small movements in the dark. These cameras are primarily intended for customer segments where there are needs for systems that comprise a smaller number of cameras, for example, small offices, stores, hotel receptions as well as private homes.

High quality HDTV camera

The AXIS Q1755 network camera was introduced at the end of the year. The camera has HDTV standard and supplies material of the highest quality with high resolution and according to the SMPTE standard, which meets the stringent requirements of particularly demanding security installations such as in airports, at passport controls and in casinos.

Handles 50 cameras

Application software has become an increasingly important product in Axis' portfolio. A new enhanced version of AXIS Camera Station was launched during the year. AXIS Camera Station is designed to show, record and event-manage up to 50 cameras in one system.

The Video product area also includes accessories, such as camera housings for outdoor installation. AXIS T95A00 and AXIS T95A10 are two products that are specially produced for protecting Axis PTZ cameras when they shall be installed in places where they are exposed to water, dirt, sunlight and low temperatures.

Print & Scan product area

Axis offers products which facilitate document processing within the Print & Scan product area. No resources are devoted to product development within this area, consequently no new products were launched during the year. The interest for Axis' product portfolio remains however, and the products are sold in a number of countries. ■



AXIS P3301 is the clear answer to what the market was asking for – a surveillance camera with many features, offering an unparalleled image quality in the highest resolution and which can be adjusted to cover individual needs with regard to both image quality and bandwidth. Therefore the camera is the absolute right choice for a host of different video surveillance applications.



Retail
Network cameras in shops and shopping centres provide the owner with a good overview of e.g. the warehouse or stores situated in other geographical locations. The cameras can also identify customer flows in stores or shopping centers, which offers the possibility to adapt displays as required and thereby increase sales.

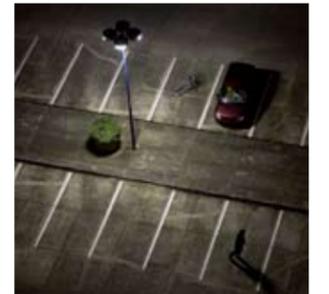


Transport
Network cameras are installed in buses, on trains and in stations in order to provide security for personnel and passengers. The cameras emit an alarm when an unexpected event occurs, e.g. if a person sets foot on an isolated area of track or if a camera is exposed to vandalism.

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



Public surveillance
Surveillance can provide security for citizens in particularly exposed places and video can facilitate production of evidence if a crime has been committed. A network camera is easy to install and move to a place that shall be placed under special watch.



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



Bank
Network cameras at entrances and over counters increase the 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.





IP surveillance for improving citizens' security

In recent years, the French city of Vauvert has experienced an increased amount of nocturnal theft and other incidents. The municipality decided to install a surveillance system in order to overcome the problem and restore security to its 11,000 residents. They consulted with the police and collectively reached a decision as to which areas were worst hit and required surveillance. Subsequently, they carried out a technological comparison and decided to install seven AXIS 233D Network Dome Cameras, which have day and night functionality, built-in motion detectors, as well as high image resolution.



AXIS 233D

The installation was carried out by the municipality's technology department which used experiences from earlier projects to design an open, IP orientated solution. The result was successful: "We are very satisfied with our installation and equipment, which has already helped restore security to the people of Vauvert", says Mayor Gayaud.

An expansion of the system is planned for 2009 so that Vauvert's residents can even feel more secure. ■



Global market with local presence

During the year, Axis continued to strengthen its position on the expanding market for network video products. Today, Axis' network cameras are installed worldwide. The technology shift from analog to network solutions is continuing at a stable pace, which benefits Axis as the global market leader.

The Video product area has shown growth of 23 percent. The Print product area, which operates on a mature market, has shown a decline in all regions, and only accounts for 4 percent of sales.

Axis' network video products have been installed in schools and at universities, on motorways, within industry, in cities, banks and stores throughout the world. The interest has particularly increased within the Transportation and City Surveillance (public surveillance) customer segments.

The current financial turmoil in certain cases has meant that decisions on security installations have been deferred during the year, which in turn has affected the pace of the technology shift from analog to network technology. In spite of this, the network video market has grown as the interest for the network technology continued to be significant.

The regions

Axis' operations are global and the company has more than 20 offices worldwide and is active locally with sales teams in additional locations. The company reports operations in the three regions EMEA (Europe, Middle East and Africa), Americas and Asia. During the year, Axis' sales trend has been very positive in all regions.

EMEA Region

The EMEA Region accounted for 48 percent of Axis' total sales and reported sales of SEK 947 M during 2008, corresponding to growth of 18 percent.

The activity was very intense during the year and Axis' products and solutions have generated great interest throughout the region. Important success factors for the region's growth are the intensified interest in the ongoing shift from analog to net-



work systems as well as the increased interest in network video solutions in East European countries and the Middle East. There has been great interest in Axis' partnership program within the region and during the year, many new partners have been added and have participated in training in terms of Axis Communications Academy.

Axis established a sales office on the Russian market during the year. Through the opening of the office in Moscow, the company's presence in Russia is strengthened. The Russian market is growing with great potential and makes high demands for security within the governmental and private sectors and within new construction, but also within the transport sector, retail and industry. The Norwegian State Railway, NSB, decided to install Axis' network video products in order to enhance security for passengers and personnel. Installation of approximately 3,200 AXIS 209FD-R and AXIS 221 network video products on Norwegian trains has commenced. The project has potential for additional installations. Ports in Spain, streets and squares in France and Italy, book stores in Ireland as well as retail chains in Austria and South Africa are further examples of places where Axis' network video products were installed during the year.

Americas Region

The Americas Region accounted for 43 percent, SEK 854 M of Axis' total sales and displayed growth of 19 percent during 2008.

The extensive interest in network video products continues on the American market and network products in security installations have become an increasingly natural choice. Axis increased the number of partners in the partnership program during the year. Apart from system integrators and resellers, the training also includes consultants who require knowledge about network video solutions. This has been a contributory factor behind the increased interest and understanding for network video products.

A focus on business development within the retail and transport sector has benefited sales. Moreover, installations have been successfully completed in schools, for public surveillance and in public authority buildings. Over 200 Axis' network cameras were installed during the year at DePaul University in Chicago in order to improve security for the students in the university area.

Market presence has been consolidated through continued recruitment of Axis' own sales personnel across the whole continent and by establishing a sales office in Brazil (São Paulo). In South America there is particular demand for network video within

public authorities, public surveillance and in retail. Axis is establishing itself as a distinct player on the South American market by opening an office in São Paulo.

Asia Region

The Asia Region accounted for 9 percent of Axis' total sales during the year. Sales totalled SEK 175 M and growth was 12 percent. There was considerable interest in network video solutions within the region during the year. For instance, installations were carried out within the transport sector in China and Japan, schools and universities in Korea, New Zealand and Taiwan as well as the fire department in China.

The market is strongly diversified, but there is a widespread interest in the new network surveillance technology and for professional surveillance solutions. Comprehensive work was carried out during the year on adding partners to the company's partnership program as well as training them in network video. During the year, more than 1,000 system integrators and resellers have participated in the company's training program Axis Communications Academy.

The Region has two regional offices; Singapore and Hong Kong. Singapore handles sales for the Southern region whereas Hong Kong is responsible for the Northern parts of the region. Axis strengthened its market presence during the year on markets with development potential, primarily by establishing an additional office in China. Business on the Chinese market has been conducted from the offices in Hong Kong and Shanghai for many years. The increased interest for network video products in the region is being met through establishing additional offices in the growth market China. ■



Loyalty business model generates competitive advantages

Axis is convinced the success on the market is achieved by working via a two-stage sales model, which creates loyalty, scalability and proximity to the customers, while at the same time, maintains efficiency in the organization. There was a sharp increase in interest during the year and Axis had more than 24,000 partners by year-end.

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

Distributors – the first stage

Axis' sales take place in the first stage to the distributors. They stock the products and supply them to the system integrators and resellers in line with sales to the end customers. In each country where Axis is represented, the company works with a handful of distributors, who can also include global partners such as Ingram Micro, TechData and Anixter.

Loyalty in the sales channels

Axis Channel Partner Program covers system integrators and resellers. The program is designed so that the company's 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. Among other things, participants receive information about launches of new products, access to marketing material as well as the opportunity to participate in Axis' exhibits at fairs. An important part of the program is training within network video.

Meeting with end customer

The resellers and system integrators are the partners that meet the end customer in a sales discussion regarding a complete solution or about particular products. The system integrators install and integrate Axis' products in security solutions in all of Axis' identified customer segments. A few of the system integrators that Axis cooperates with are Honeywell, Johnson Controls, Niscayah and IBM.

Consultants and network partners

Axis also offers a program that is intended for consultants, A&E (Architecture & Engineering). The goal is that the consultants specifying products in security installations should have good knowledge about network video. Axis A&E program offers a series of outstanding tools for engineers and consultants who design IP security systems. Axis provides access to advanced and user-friendly tools and training. By year-end, around 200 had participated in the consultants program.

Storage and networks

Storage and networks are important components in an IP system. Axis works in partnership with industry-leading infrastructure partners to ensure compatibility and to optimize the end users' installations.

Axis Communications Academy

The company's 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 will be used in the sales process. The trainers are Axis' employees who possess high technological competence and are well informed of the current trends 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 has had 9,000 participants since then.

Applications that supplement the product portfolio

Apart from partners in the sales channels, Axis collaborates with over 650 application developers, i.e. Application Development Partners (ADPs), which is an important part of the company's ongoing investment in the professional network video market. The ADPs develop application software that functions as a supplement to Axis' own software offering. Through cooperation with ADPs who work close to the customers, understanding of the customers' needs is created and the solutions can be adapted to the local market. The program assists software developers in fully integrating Axis' network video products into end customer solutions by offering components such as VAPIX, open platforms, technology documentation as well as 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. ■



New platform provides products of tomorrow

Research and development has always been a highly prioritized area in order to maintain and consolidate Axis' market-leading position. A new technology platform was launched during 2008 in the new ARTPEC®-3 chip, which is the result of extensive work within the research and development area.

Axis has many years' experience within networks and therefore possesses high competence in the area. Axis offers products which are at the cutting edge of technology, where image quality, image analysis, network security and system solutions are prioritized areas.

Systematic development work

To remain at the cutting edge by offering innovative solutions is the essence of the business. In order to identify the market's product needs of tomorrow, Axis conducts well structured work. At Axis, about 250 engineers work systematically and

effectively to develop the technology platforms and products of the future. The development work has been focused on network products since the start.

Openness is central

Axis works with open systems, which means that Axis' products can be easily integrated into other security solutions and that software from partners can be added in the products. Currently, the emphasis is on solutions within the Video product area, including network cameras, video encoders, accessories and application software.

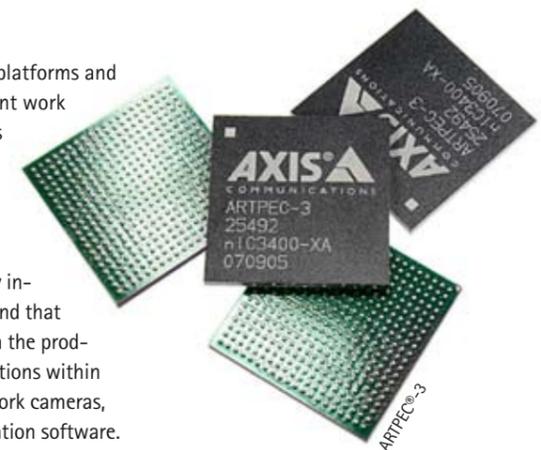


Image quality in focus

Demands are constantly increasing in relation to light sensitivity, dynamics and resolution in the network cameras. Over the years, Axis has been engaged in long-term work to develop high image quality that fulfils the demands of the network video products of tomorrow. ARTPEC® is an image processing and image compression chip that has strongly contributed to Axis' dominating position as market leader within network video. The chip is found in both the company's cameras as well as video encoders. ARTPEC® is an innovation that strengthens Axis' leading position on the network video market further since the chip is not only cost efficient but also offers high performance, good bandwidth efficiency and high image quality.

Intelligent solutions

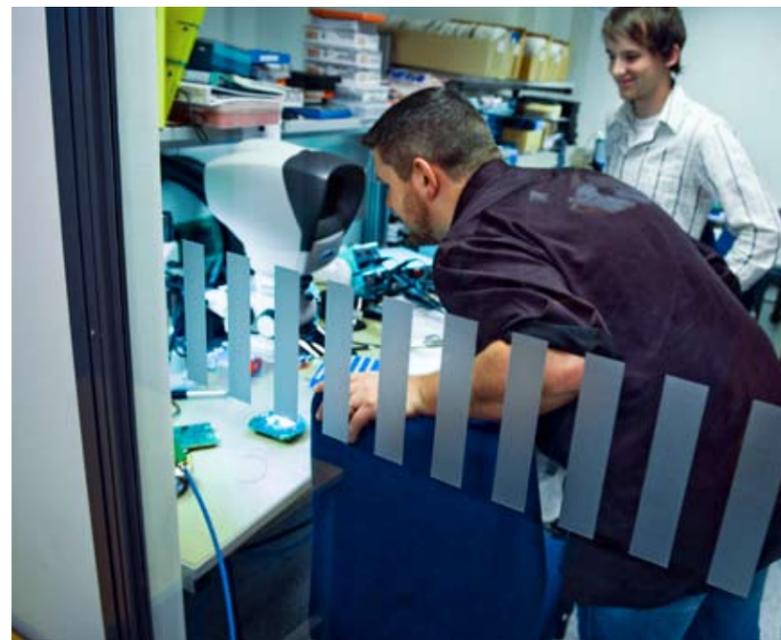
Intelligent functions in network cameras are in focus on a market where passive surveillance is being replaced by active. This places demands on the components in the equipment and means that the chip shall handle more information and process higher resolution images. Axis' development work within image analysis has meant that the company possesses solid experience and considerable expertise within the area. Processing of data can take place in the camera or on the server. Axis integrates internally developed intelligent functions in the camera such as alarm in event of vandalism (Active Tampering Alarm) and automatic tracking (Auto-tracking). Other intelligent functions are developed by the company's ADPs, e.g. that a network video product can count people or read off a licence plate.

Patents safeguard the innovations

Axis' investments in technological and product development are safeguarded by patents and registered designs. During the year, applications for fifteen new patent and registered design families have been filed. The applications describe Axis' latest inventions within network technology, image processing and camera construction, and also include Axis' innovative design. Three national patents and a number of registered designs were granted during the past year. The patent portfolio now contains 67 active patent and registered design families.

Competence collaboration

Since the beginning, Axis has collaborated with universities and colleges and continually offers students the possibility of carrying out course work at the company. Axis has long-term and good relationships with research groups at Lund University, The Royal Institute of Technology Chalmers and Linköping University. Axis is also an active partner in CCCD (Competence Center for Circuit Design) which is an association of a number of prominent companies with common interests within chip design and the governmental agency Vinnova. ■



Structured process in the supply chain

A functioning supply chain is of the utmost importance in a growth company like Axis. Flexibility and efficiency are watchwords in the work of optimizing the processes with suppliers and contract manufacturers, as the company does not have any production of its own.

Axis has a well-structured process for production and delivery of products, from component purchasing and electronics production to final assembly, quality control and delivery. Axis has a global perspective with respect to these functions and thereby ensures availability of the company's products all over the world and satisfies the customers' demands for flexibility, delivery security and high quality.

Contract production creates flexibility

All production takes place in collaboration with companies that are specialized in contract electronics production and which possess a high level of expertise within the area. To ensure continuous and flexible production, Axis uses selected contract manufacturers with factories around the world. Axis creates production documentation, that 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 improves flexibility and capital can be released for other purposes.

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 is quality assured in Axis' configuration and logistics centers in Sweden, Hungary and Thailand. The company's products are supplied from these centers to customers worldwide. A center will be established in the US during 2009 in order to improve supply to the American market.

Products at the right time

Forecasts and order processing are two important factors when it comes to supplying the market with products at the right time. Processes for planning, managing and following up the order processing have been implemented during the year with the aim of improving the order process further. These improvements have resulted in Axis being nominated during the year for the European Supply Chain Excellence Award.

In order to supply the market with the right products at the right time, correct and reliable forecasts are of critical importance. The forecasts form the basis for the purchasing of components from the suppliers which have a lead time of 4–20 weeks. The forecasting work has been further enhanced during the year through closer cooperation between Axis' subsidiaries, the head office and the subcontractors. This means that the company can adapt itself more rapidly to changes in demand for products on the market and can provide the market with high quality network video products on time. ■





Axis' cameras used for predicting natural disasters

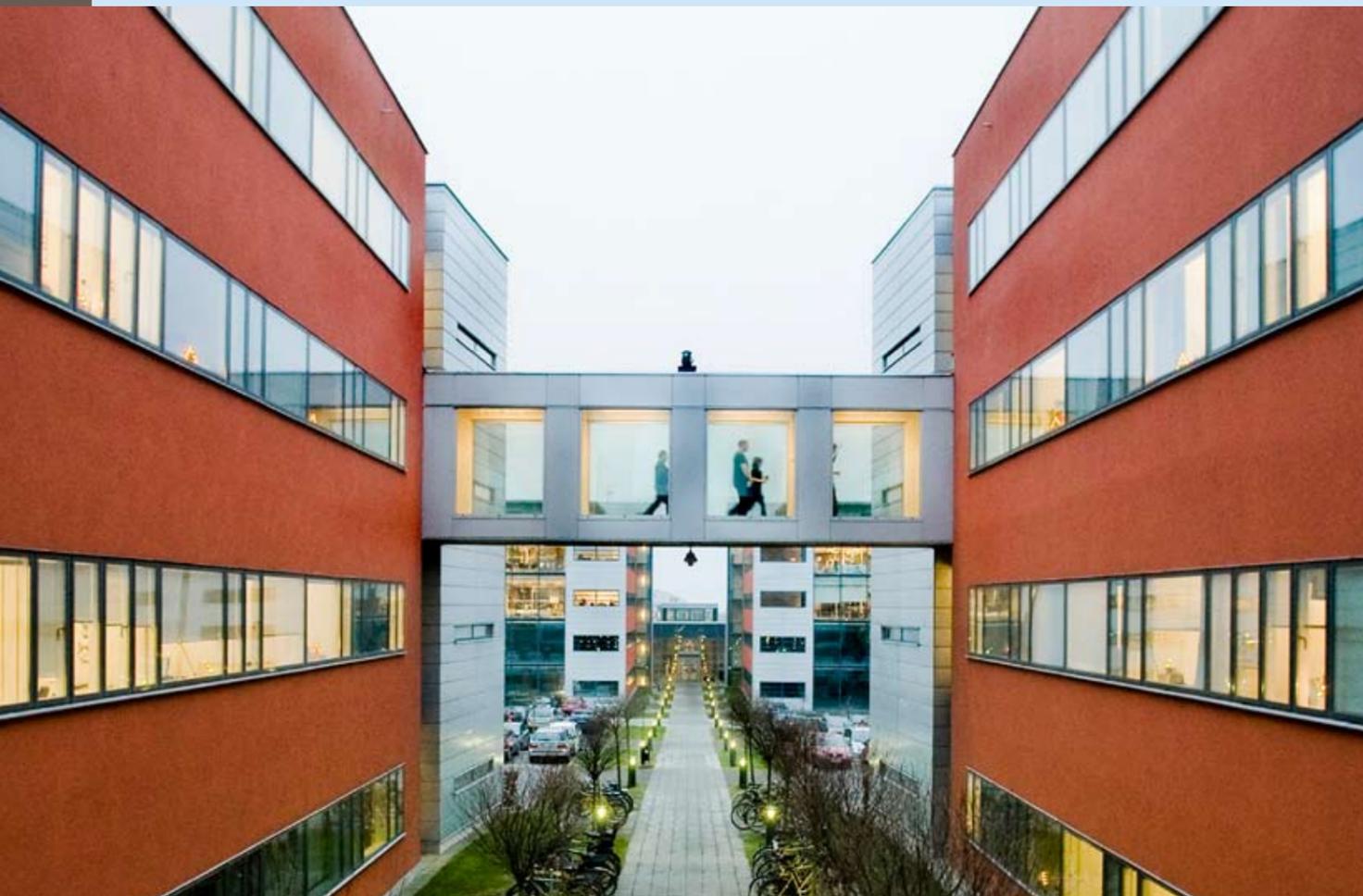
Japan and Taiwan are badly hit by flooding and cloudbursts on account of their geographical location. The flooding causes considerable damage to both crops and property and also puts people's lives and health at risk. There is a great need for a system that can warn the residents and both countries' governments have therefore received assistance from Axis' partners in order to install a network surveillance system.



AXIS 221

The Japanese city Kobe is badly hit by flooding in connection with rapidly rising water levels, for instance during a cloudburst. The authorities decided to monitor the water level and installed about twenty AXIS 221 network cameras, which met the strict demands for image quality both day and night. The surveillance is carried out by the fire department's flood division and the images are also accessible by the residents via a website, who in this way can monitor the situation and prepare for a possible evacuation.

In Taiwan, Axis' partner Taiwan WaveTech Communications Inc. (TWCI) installed AXIS 214 PTZ cameras, which monitor the water levels with their 360-degree coverage. Due to the infra-red day and night function, the cameras can furnish the command center with razor sharp images around the clock: "The video material from the surveillance stations communicate updated hydrological information to the disaster prevention unit. The information can be analyzed in real time and thereby we achieve the most important goal, which in this case is to prevent disasters", says Axis' partner TWCI. ■



Corporate culture – an important platform

Axis' corporate culture has been an important platform in the organization since the beginning 25 years ago. The two founders Mikael Karlsson and Martin Gren wanted to establish a healthy company where the employees felt happy to work. A vision that has been realized.

During the year, the main emphasis in Human Resource Management's (HR) activities has been on recruitment, integration of new employees as well as work on maintaining the corporate culture in a rapidly expanding company.

Common values

The corporate culture and values form the basis for an attractive working environment and create conditions for profitable growth. The values are of central importance when potential staff shall be attracted and when it comes to development of existing staff. The emphasis 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.

Recruitment and competence in focus

As a growth company, Axis has faced considerable recruitment needs during recent years. In the past year, the workforce has been strengthened by 152

employees, particularly within sales, marketing and sales support functions, but also within research and development. Axis' ability to retain and develop the Group's staff is of critical importance for the company. Therefore, particular importance is attached to staff development and staff care.

Focus on quality, skills and personality

Notwithstanding the high recruitment rate, the focus is on quality and personality rather than on quantity. The company encourages internal recruitment whenever possible, and in this way competence is secured within the company, while at the same time, staff are stimulated to increase mobility in the company. During the year, a number of introductory training programs were conducted both at a local and regional level. All new recruits undergo corporate training locally, where they gain an insight into the company's history, operations and future. Many new recruits receive the opportunity to participate in an international training program. During the training, the new employees have the opportunity to participate in discussions and listen to talks by senior managers at the headquarters in Lund.

Ensure skills level

One way for the company to secure high skills levels in the future and to attract new graduates is through Axis' partnership with the Institute of Technology at Lund University, which goes back a number of years. Axis supervises a number of degree projects every year, and also confers 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, where the aim is to increase interest in running businesses, to attract people with the right skills profile as well as acting 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.

Performance focused operations

Having the right person in the right place is a requirement in a growth company like Axis. Axis uses performance appraisals and training activities which then form the basis for individual staff development. Since customers and suppliers place high demands on professionalism and quality, we expect our staff to do their absolute best to meet the demands of the market.

Low level of absence due to illness

During the year, the level of absence due to illness was low, at 3.0 percent in total (2.0). Among women, absence due to illness was 4.0 percent (2.8) and among men it was 2.5 percent (1.8). The figure for the 0–29 age group was 2.8 percent, for the 30–49 age group 2.7 percent and for the 50–65 age group 4.9 percent. Staff turnover in Axis was 11 percent (9.5) during the year. The average age of staff was 37 years. The number of women totaled 195 (148) and the number of men amounted to 521 (416). Axis is a typical salaried employee company, which is reflected by the high proportion of employees with university degrees, 74 percent (70). ■

Educational level



■ College & university 74 %
■ Other 26 %

Period of employment

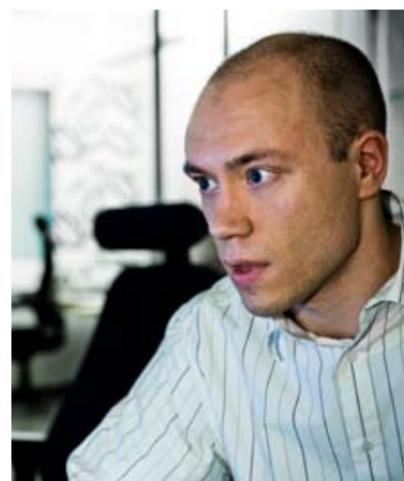


■ 1 year: 30 %
■ 2–5 years: 41 %
■ 6–10 years: 14 %
■ 11–15 years: 12 %
■ >15 years: 3 %

Employees per region



■ Sweden 64 %
■ EMEA 13 %
■ Americas 13 %
■ Asia 10 %





Responsible entrepreneurship is integrated in the business processes

Since Axis was founded over twenty years ago questions concerning CSR (Corporate Social Responsibility (CSR) have been a natural part of the company's activities within corporate governance, social responsibility (human rights, labor law and business conduct) and environment.

Social responsibility

Axis is a global company with a local presence. The company has offices in more than 20 countries and cooperates with partners in over 70 countries. Axis thereby influences the lives of many people – including shareholders, customers, employees, suppliers and others in society. Axis intends to create value for its shareholders and other stakeholders as well as build relations and take responsibility in social and environment-related matters.

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 is therefore explicit. It emphasises the basic principles according to which Axis conducts its operations and handles relationships with its staff, business partners and other stakeholders. All employees are expected to promote, contribute to and uphold the company's values, integrity and responsibility. Axis also encour-

ages 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.
- > UN's Global Compact initiative which was introduced in 2000 by the then general secretary Kofi Annan with the aim of promoting social and environmental responsibility in companies operating internationally.
- > ILO Declaration on Fundamental Principles and Rights at Work.

These shall be considered when decisions shall be taken in all areas from research and development to marketing.

Installation of surveillance products

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 principals in society, and this is where surveillance systems perform an important function, as long as they are used in accordance with prevailing legislation.

Products that are deployed for surveillance or guarding have sometimes been the focus in discussions surrounding privacy. Axis' viewpoint is that a surveillance system in itself cannot constitute a violation of privacy. To avoid misuse of the products, Axis attaches great importance to selection and training of partners and resellers.

Axis has on a number of occasions worked actively to ensure a safe environment for citizens. One example is the collaboration with the American retail chain Target which began in 2006. Axis contributed network cameras to an area where surveillance is very important in order for citizens to feel secure. The aim was to reduce vandalism and damage as well as increase security in the area, which was achieved.

Focus on long-term relationships with suppliers

Long-term relationships with suppliers are of great importance and Axis demands that contract manufacturers and transportation are environmentally certified. Axis selects its suppliers of principal components and semi-manufactures through a carefully designed process where the critical factors are price, environment, quality, ethics and flexibility. For several years, the company has worked with contracts incorporating working environment demands as well as financial and ethical demands. Workplace visits have also been part of the evaluation of the company's suppliers. Axis has suppliers in Europe, North America and Asia. Axis demands that contract manufacturers should be ISO 9000 and ISO 14000 certified.

Environmental considerations in the entire value chain

Axis' ambition is that environmental considerations form part of the entire product life cycle, from choice of materials in components to transportation and operation. The latest technology is used in the production of new products in order to minimize energy consumption in the use of the company's products and solutions. Axis supports suppliers, customers and partners in their choice of low environmental impact products.

Axis continually evaluates and constantly increases its knowledge of the environment impact caused by the company and its products. A clear result of the environmental work may be seen in the fact that the new product's energy consumption has been reduced significantly. For instance, consumption in stand-by mode for the product's power adapters has decreased by 15 times compared to before. ■

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 meet obligations in order to comply with the current 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.

Price trend

The general financial turmoil during 2008 resulted in a negative trend on the world's stock markets, which also impacted Axis' share which fell in value by 63 percent. During 2008, the Axis share had a turnover of 56,497,372 shares which gave an average turnover of 224,196 shares per trading day, at a value of SEK 20.8 M per day. Trading in the share took place on all trading days. The trading rate during the year was 81 percent.

The final price paid on December 30, 2008 was SEK 57.50. The highest price, SEK 163 was recorded on January 2. The lowest price of the year, SEK 52.00 was recorded on October 10. The average price of the share during the year was SEK 90.67. Axis' market value as at December 31, 2008 was 3,989 M, which corresponds to a decrease of 63 percent during the year. The SIX All-share index fell by 41.8 percent during 2008. Affärsvärlden's IT sector index fell by 28.1 percent.

Ownership

The number of shareholders at year-end was 17,503 (11,639). The proportion of foreign registered shares or shareholders who are not Swedish residents was 23.0 percent (17.4).

The five largest shareholders held 54.4 percent of the total number of shares. The largest ownership group was accounted for by institutional ownership (financial companies), which was 24 percent.

The table on the next page shows Axis' ownership as at December 31, 2008.

Dividend and dividend policy

Axis' dividend policy is to issue a dividend amounting to approximately one third of the net profit for the year after tax, taking account

of the Group's target for its equity/assets ratio. The Board of Directors proposes a dividend in line with the company's policy of SEK 1.25 per share (1.25 ordinary and 3.25 extra) for the 2008 fiscal year. The proposed dividend corresponds to SEK 87 M, which means approximately 34 percent of the profit after tax.

Options program

The number of options, and the dilution effect a full exercise of the options would entail, is shown in note 16 on page 53. ■

Swedish and foreign ownership



Swedish ownership 77 %
Foreign ownership 23 %

Ownership distribution

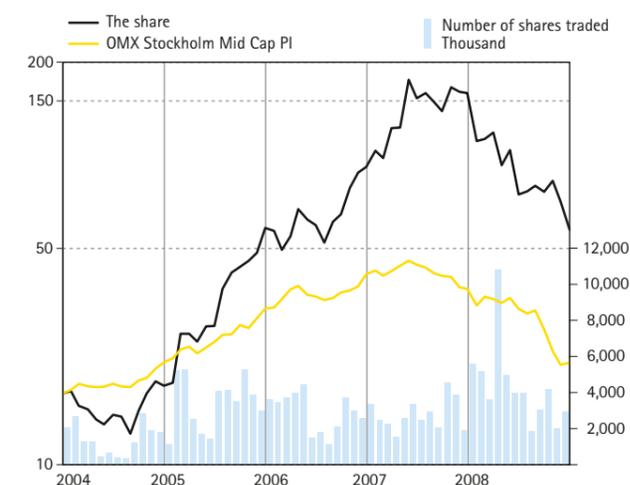


Swedish legal entities 33 %
Foreign resident owners 23 %
Swedish individuals 17 %
Financial companies 24 %
Trade organizations 3 %

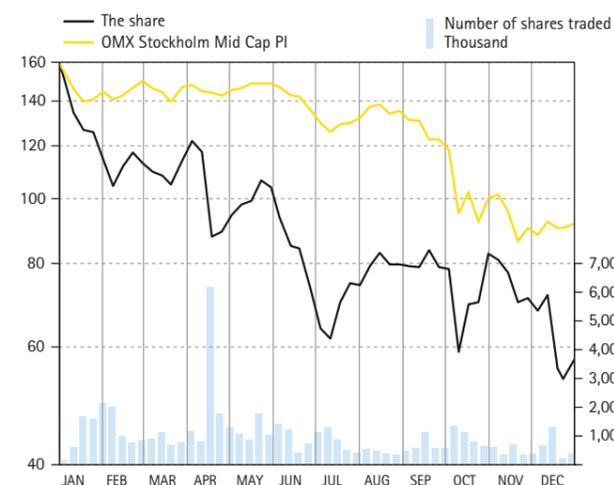
Trend in share capital

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

Axis share price trend 2004-2008



Axis share price trend during 2008



Shareholders

	Number of shares	Percentage
Therese Karlsson, privately and through company, LMK Industri AB	13,830,408	19.9 %
Christer Brandberg, privately and through company, Inter Indu S.P.R.L.	9,606,957	13.8 %
Martin Gren, through company, Grenspecialisten AB	7,157,471	10.3 %
Swedbank Robur	4,739,959	6.8 %
Didner & Gerge	2,530,390	3.6 %
Other 17,498 shareholders	31,508,515	45.6 %
Total	69,373,700	100.0 %

Ownership December 31, 2008

Holding	Number of shareholders	Number of shares	Holding (%)	Votes (%)	Market value (SEK, thousand)
1-500	12,935	2,126,743	3.07	3.07	122,288
501-1,000	2,417	2,126,659	3.07	3.07	122,283
1,001-5,000	1,704	4,027,671	5.81	5.81	231,591
5,000-10,000	210	1,629,408	2.35	2.35	93,691
10,001-15,000	48	596,318	0.86	0.86	34,288
15,001-20,000	36	653,366	0.94	0.94	37,569
20,001-	152	58,213,535	83.92	83.92	3,347,480
Total	17,503	69,373,700	100.00	100.00	3,988,988

Analysts

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

Carnegie	Daniel Djurberg
Enskilda Securities	Andreas Joelsson
E. Öhman j:or Fondkommission	David Jacobsson
Handelsbanken Capital Market	Fredrik Agardh
Kaupthing Bank	Mikael Laséen
Nordea	Mats Bergström
Redeye	Urban Ekelund, Greger Johansson
Swedbank	Håkan Wranne



Margareta Lantz
Manager Investor Relations &
Corporate Communications

Network cameras are suited to a sensitive museum environment

The more than 1,000 year old Santa Giulia museum in Brescia, Italy, is known for its exhibitions and events with a historic theme which they arrange on an area of 14,000 m². Security demands have increased. The decision was made to install a surveillance system in order to comply with insurance requirements and to reduce the insurance premium. The system, in addition to being scalable and allowing for rapid repositioning of the cameras, should also be possible to integrate with the architecture.



AXIS 210

The museum contacted Axis' partner FasterNet Servizi, who it had worked with previously, for help with designing a suitable solution. The AXIS 210 network camera was the product that best met the museum's demands: Surveillance of objects, prevention of vandalism as well as integration with the existing architecture without needing to install additional cables. The installation, which consisted of 130 cameras, was very cost efficient and enables monitoring of specific targets and as well larger areas.

"We are pleased to have implemented a new video surveillance system with Axis' solutions. Security has always been a prioritized question for the museum which houses artistic works and cultural artefacts from the whole world. Due to Axis' video surveillance system, both indoor and outdoor areas can be monitored in an effective but discreet manner. The artistic works are secure and since the cameras are compact, the visitors are not disturbed by them", says Agostina Mantovani, Chairman of the Brescia Museum foundation. ■



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 principally be 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 collaboration with external lawyers and advisers.

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, like the majority of multinational companies, by the global macro-economic trend. During 2008, the world economy has been hit by a sharply negative trend which affected many companies' investment capabilities. This includes investments in network video, which have been deferred with slower 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, 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 that can arise in this context. Globally, Axis encounters everything from a very positive to a more sceptical view of camera surveillance. There are no currently known plans for 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's development. In the event that the technology shift proceeds at a slower pace than expected, it can mean that competitors gain 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 the understanding of the new technology. The training mainly takes place within Axis' different partnership programs and in terms 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 that offer high quality and performance. Axis' research and development department continually work 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 skilled 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.

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 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.

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 advisers.

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 currency risks are minimized. 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 groups:

- > Currency 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 loan 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.

Currency risk

The Group has a strong international profile, with a substantial percentage of its sales and purchases in currencies other than Swedish Kronor. Fluctuations in exchange rates affect the Group in several different ways, but primarily through sales and purchases in non-Swedish currencies, in the translation of foreign subsidiaries' income statements and balance sheets, and in investments in currencies other than Swedish Kronor. The Group is particularly exposed to fluctuations in the exchange rates of the Swedish Kronor against the US Dollar and the Euro. The Treasury Department is responsible for hedging the Group's net exposure.

Axis' finance policy defines how currency risk is to be minimized. Currency risk is divided into two main groups:

- > 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.

Transaction risk

Under the finance policy, transaction risk is to be minimized through currency hedging all of the next 12 months' expected net cash flow.

Currency hedging for the next two months will take place within the range 60–100 percent of the exposure, and for the next 3–12 months within the range 0–50 percent. 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 0.5 M. Historical exchange rate flows are followed up monthly in arrears.

Translation risk

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 stipulates that 80–100 percent of the exposure is to be hedged. During 2008, net investment in subsidiaries in Japan and the US was 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 surplus 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 2008 was marginal, since the credit facilities were unutilized throughout the year.

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, 2008, Axis had SEK 213.4 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 200 M, compared with SEK 384.1 M and SEK 210 M respectively on December 31, 2007.

The surplus cash and cash equivalents are invested in fixed-interest securities with a maximum remaining term of two years, and an average term of no more than six months. As of December 31, 2008, SEK 60 M was invested in fixed-interest securities with an average term of 0.4 months. The corresponding figures on December 31, 2007 were SEK 190 M and 1 month.

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 financial year 2008. 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	+/- 13
Currency, SEK/USD	+/- 5	+/- 36
Purchases	+/- 5	+/- 44
Personnel	+/- 5	+/- 21

Administration report

The Board of Directors and the President & CEO of Axis AB (publ.) 556241-1065 submit the following Financial Statements and Consolidated Financial Statements for the fiscal year January 1, 2008 – December 31, 2008. Unless otherwise stated, all amounts are in SEK million. Information in parenthesis refers to the preceding 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 technical 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 AB, under the ticker AXIS. For more information about Axis, please visit our website at www.axis.com.

Significant events

During the year, the network video market continued to grow, driven by the technology shift from analog to digital solutions. Demand weakened as the financial turmoil worsened, with falling sales growth as a direct result. However, with good growth, 23 percent in the Video product area, Axis has strengthened and improved its position as market leader. The market presence has been strengthened, among other ways, through the opening of sales offices in Russia, China and Brazil as well as by strengthening sales resources with own personnel on established as well as on new geographical markets. Furthermore, within EMEA and Americas, Axis has continued to pursue geographically diversified recruitment where the salespeople operate from "home offices".

A high pace of product development has continued throughout 2008. Several new innovative products were introduced and received with great interest by the market. Apart from generally better performance and increased intelligence, what is particularly distinguishing about the new network video products is the new image compression standard H.264, which significantly improves transfer and storage of video sequences. Remarkably, six new models were launched within the camera category with a number of variants. These include AXIS Q1755 (a very advanced camera with resolution in HDTV standard, among other features), AXIS M1031 (an advanced camera equipped with PIR sensors for motion detection in the darkness and two-way sound), AXIS M3011 (a camera in "spotlight" design for building-in, e.g. in ceilings), AXIS P3301 (an award-winning compact and vandal-proof dome camera) and AXIS P1311 (a camera with two-way sound and the possibility for local storage of video sequences directly in the camera). Within the encoder category, Axis has successfully launched a number of new products with the possibility of connecting up to 84 analog channels to the same unit. In addition, several software releases of Axis' "Video Management" software, Axis Camera Station, were launched, featuring significantly enhanced performance.

The interest for 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. In the transport sector, Norwegian State Railways and the Moscow Metro have chosen Axis' products and solutions.

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 2008. Within the partnership programs, the members were trained in the advantages of network video in general and Axis' product range in particular. At the end of the year, over 24,000 system integrators and 620 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. A clear result of the environmental work is the fact that new products' energy consumption has been reduced significantly. Consumption in stand-by mode for the product's power adapters has decreased by 15 times.

Research and development

During 2008, 14.9 percent (12.4) of the Group's sales was invested in research and development in both hardware and software. The research and development expenses have increased by SEK 76 M compared with the preceding year and amounted to SEK -269 M (-193). Expenditure on development work totaling SEK 26 M (15) was capitalized during the year. The capitalization principle is described further in note 2 to the accounts. 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 the development of future generations of ARTPEC® continued during 2008.

Axis conducts an active patent strategy in order to safeguard investments in core technology and intellectual capital. During the year, applications for 15 patent families have been filed, chiefly within image processing and network technology. Three national patents and a number of registered designs were granted during 2008. Axis currently holds 67 active patents 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 advisers. To date, a few disputes on patent infringement have been discussed, but these have not had any 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 high pace of recruitment continued throughout 2008. At the end of the year, the number of employees totaled 716, which is a net increase of 152 since December 31, 2007. Most of the increase took place in sales and marketing as well as research and development. Of the staff, 460 (377) work in Sweden and 256 (187) in other countries.

Financing and cash flow

Axis had at its disposal a total of SEK 413 M on December 31, 2008, of which SEK 213 M was cash and cash equivalents as well as unutilized credit facilities of SEK 200 M. Axis is, consequently, in a very strong financial position for 2009. Cash flow from operating activities amounted to SEK 200 M (303). Net investments for the year totaled SEK 53 M (28) and total cash flow amounted to SEK -171 M (71).

Investments

Investments in property, plant and equipment totaled SEK 27 M (15), and in intangible assets, SEK 26 M (13). Net investments for the year according to the consolidated cash flow statement amounted to SEK 53 M (28).

Ownership

Axis AB's share capital at the end of the fiscal year amounted to SEK 693,737, divided between 69,373,700 shares of a nominal value of SEK 0.01. All shares are of the same class. With the full exercise of the outstanding warrants, the dilution effect is 0.23 percent. Axis AB had 17,503 shareholders at the close of the fiscal year. The five largest shareholders at the end of the fiscal year accounted for 54 percent of both votes and capital.

	Number of shares	Percentage of capital 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)	9,606,957	13.8 %
M Gren, via company (Grenspecialisten AB)	7,157,471	10.3 %
Swedbank Robur	4,739,959	6.8 %
Didner & Gerge	2,530,390	3.6 %
Other	31,508,515	45.6 %
TOTAL	69,373,700	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 1,975 M (1,671) which represents growth of 18 percent compared with the preceding year. Currency effects have impacted sales negatively by SEK 2 M. The Video product area increased sales by 23 percent from SEK 1,530 M to SEK 1,885 M while sales in the Print product area fell by 41 percent to SEK 47 M. The gross margin continued to be stable and totaled 55.0 percent compared to 55.2 percent in 2007.

The Group's operating profit amounted to SEK 341 M (368), corresponding to a decrease of SEK 27 M compared with the preceding year. The operating margin decreased from 22.0 percent in 2007 to 17.2 percent for 2008. Currency effects impacted operating profit positively by SEK 9 M. Profit after financial items totaled SEK 340 M (367), representing a decrease of SEK 27 M compared with the preceding year.

Income statement in Summary

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	TOTAL 2008
Net sales, SEK M	437.5	493.8	543.0	500.5	1,974.8
Gross profit, SEK M	242.5	277.6	297.8	269.2	1,087.1
Gross margin, %	55.4	56.2	54.8	53.8	55.0
Operating profit, SEK M	68.5	91.6	131.1	49.4	340.6
Operating margin, %	15.7	18.6	24.3	9.9	17.2
Profit after financial items, SEK M	68.2	91.6	130.9	49.2	339.8
Profit margin, %	15.6	18.5	24.1	9.8	17.2

Group Key Ratios

	2008	2007	2006	2005	2004
Net sales, SEK M	1,974.8	1,671.3	1,202.5	895.1	691.5
Profit after financial items, SEK M	339.8	367.4	222.4	127.6	50.3
Balance sheet total, SEK M	859.3	914.4	789.3	580.2	470.0
Equity/assets ratio, %	51.3	60.4	63.5	70.2	72.3
Return on total assets, %	38.4	43.2	32.6	24.4	11.3
Return on equity, %	49.3	50.3	35.3	24.6	11.5
Earnings per share before dilution, SEK	3.64	3.73	2.28	1.32	0.44
Earnings per share after dilution, SEK	3.63	3.73	2.27	1.32	0.44
Shares before dilution, thousands (average)	69,374	69,315	69,084	69,906	68,900
Shares after dilution, thousands (average)	69,452	69,426	69,220	69,121	68,900
Number of employees at close of year	716	564	446	391	346

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 nine 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 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 were the 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 Grenspecialisten). Christer Brandberg is the Chairman and Convener of the Nominating Committee.

Contacts between the company's Board and the auditors have taken place through audit meetings between the Chairman of the Board and

the auditors. The auditors have also participated in two Board meetings during the year.

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.

Authorization from the Annual General Meeting

The 2008 Annual General Meeting, resolved to give the Board the mandate, during the period until the next annual general meeting, on one or more occasions to make a new issue of a maximum of 6,868,000 shares in total. In this connection, the Board shall have the right to decide on a deviation from the shareholders' preferential rights and from provisions under Chapter 13, Section 5, item 6 of the Swedish Companies Act. The issue price for the new shares shall be set as close as possible to the market value of the company's shares on each occasion. The purpose of the authorization is to facilitate corporate acquisitions with payment wholly or partly in Axis shares. If the mandate is fully utilized, it will represent a dilution of the share capital of not more than 9.9 percent (not including any dilution that may be occasioned by exercise of the share options that give entitlement to subscription for shares during the period of validity of the mandate until the next annual general meeting, i.e. share options 2000/2010, in which dilution can amount to not more than 0.23 percent).

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

The Board of Directors proposes the following principles for determining salaries and other remuneration to the President and other persons in the company management. For information regarding the principles of remuneration for 2008, please refer to note 19, Personnel.

Remuneration to the President and other persons in Axis AB's management (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 members of the senior management is to offer compensation that promotes retaining and recruiting qualified 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 members of the senior management is based on the financial goals for the Group and 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 2009) and for the other members of the senior management the highest individual bonus amount is a maximum of 80 percent of the annual salary (for 2009).

The retirement age for the President is 65. Pension premium amounts to 35 percent of the pensionable salary 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. The ITP agreement is applied for other members of the senior management with a pension age of 65.

In the event of termination of employment, a six-month mutual termination period applies for the President. In termination of employment of the President by the Company, severance pay corresponding to twelve cash monthly salaries is payable after the close of the termination period. Other income is not deducted from the severance pay. In the event that the President gives notice, no severance payment will be payable.

A mutual period of notice of three to six months applies between the company and the other members of the senior management. If notice of termination is given by the Company, severance pay corresponding to six cash monthly salaries is paid to certain other members of the senior management, whereas other members of the senior management are not entitled to severance pay. In the event of termination by any of the other members of the senior management, no severance pay 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 insurable risks is mainly carried out by the Group's finance department. Risks in the legal area are handled by Axis' specialists in cooperation with external lawyers and advisers in consultation with the Company. 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, like the majority of multinational companies, by the global macro-economic trend. During 2008, the world economy has been hit by a sharply negative trend which has affected many companies' investment capabilities. This includes investments in network video, which have been deferred with slower 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, can naturally have a negative impact on Axis' global expansion. Another, partly political question, is social acceptance of camera surveillance and the privacy issues which can 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 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 the understanding of the new technology. The training mainly takes place within Axis' different partnership programs and in terms of Axis Communications Academy.

Trust in and acceptance of new technology and applications in a premature market is particularly dependent on 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 to 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.

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 can be maintained through careful competitive intelligence, a capable global sales force as well as vigorous and rapid product development.

In the current macro-economic climate, 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 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.

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

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, currency and credit risks. Interest rate risk is assessed as being limited. For further information refer to note 3 to the accounts.

Outlook

The future repercussions of the rapid deterioration in market conditions which occurred during 2008 are very difficult to predict. While a number of major network video procurement projects are ongoing throughout the world, at the same time, there are also several examples of project decisions being deferred to a future date. 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.
- > Axis is well-equipped for the future with a comprehensive and constantly growing product portfolio as well as a very competitive offering to the market.
- > 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. The company's goal is to retain and 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 246 M (323).

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 158,070,036
Net profit for the year	SEK 116,933,687
Total	SEK 275,003,723

The Board of Director and the President propose that the profits at the disposal of the annual general meeting be appropriated as follows:

That a dividend of SEK 1.25 per share shall be paid to shareholders	SEK 86,717,125
Carried forward	SEK 188,286,598
Total	SEK 275,003,723

The Board anticipates a continued positive trend during the 2009 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 income statement

	Note	2008	2007	2006
Net sales	4	1,974.8	1,671.3	1,202.5
Cost of goods and services sold		-887.7	-747.9	-543.5
Gross profit		1,087.1	923.4	659.0
Other income and changes in value	8	8.8	7.2	2.5
Selling and marketing expenses		-403.8	-307.5	-226.7
Administrative expenses		-82.9	-61.7	-53.5
Research and development expenses		-268.6	-193.4	-158.2
Operating profit	6, 7, 8	340.6	368.0	223.1
Financial expenses		-0.8	-0.7	-0.7
Profit before tax		339.8	367.3	222.4
Tax	9	-87.4	-108.6	-65.0
NET PROFIT FOR THE YEAR		252.4	258.7	157.4
Earnings per share before dilution, SEK	10	3.64	3.73	2.28
Earnings per share after dilution, SEK		3.63	3.73	2.27
Number of shares before dilution, average, thousand		69,374	69,315	69,084
Number of shares after dilution, average, thousand		69,452	69,426	69,220
Proposed dividend, SEK		1.25	4.50	3.00

The parent company's income statement

	Note	2008	2007	2006
Net sales		23.6	13.9	9.7
Gross profit		23.6	13.9	9.7
Administrative expenses		-26.3	-16.6	-9.7
Operating profit		-2.7	-2.7	0.0
<i>Result from financial investments</i>				
Result from participations in Group companies	23	351.4	318.1	192.5
Interest income and similar profit/loss items	24	30.3	30.8	37.0
Interest expenses and similar profit/loss items	25	-133.1	-22.9	-5.7
Profit after financial items		245.9	323.3	223.8
Change in tax allocation reserve		-78.5	-84.7	-24.1
Tax	9	-50.4	-67.9	-56.6
NET PROFIT FOR THE YEAR		116.9	170.7	143.1

Consolidated balance sheet

ASSETS	Note	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Non-current assets				
Property, plant and equipment	5	38.9	24.2	18.0
Intangible assets	5	61.4	62.7	63.4
Other financial assets	14	5.6	4.1	4.2
Total non-current assets		105.8	91.0	85.6
Current assets				
Inventories	12	248.7	166.1	151.7
Accounts receivable and other receivables	13	274.6	273.2	232.7
Derivative instruments	22	2.2	-	5.9
Current tax assets		14.6	-	-
Cash and cash equivalents	15	213.4	384.1	313.4
Total current assets		753.4	823.4	703.7
TOTAL ASSETS		859.3	914.4	789.3

The parent company's balance sheet

ASSETS	Note	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Non-current assets				
<i>Financial assets</i>				
Participations in subsidiaries	26	0.7	0.7	0.7
Deferred tax assets	11	17.3	1.7	-
Other financial assets		1.6	1.6	1.6
Total financial assets		19.6	4.0	2.3
Total non-current assets		19.6	4.0	2.3
Current assets				
<i>Receivables</i>				
Receivables from Group companies		364.6	631.6	297.6
Tax assets		14.7	-	-
Other receivables		-	0.0	2.3
Prepaid expenses and accrued income		0.4	0.4	6.2
Total receivables		379.7	632.0	306.1
<i>Cash and bank balances</i>				
Cash and bank balances	15	132.5	296.7	253.3
Total cash and bank balances		132.5	296.7	253.3
Total current assets		512.2	928.7	559.4
TOTAL ASSETS		531.8	932.7	561.7

Consolidated balance sheet

EQUITY & LIABILITIES	Note	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Equity				
<i>Capital and reserves</i>				
Share capital	16	0.7	0.7	0.7
Other paid-up capital		275.0	275.0	271.7
Other reserves	17	-36.8	13.7	17.4
Profit brought forward		202.2	262.0	211.3
Total equity		441.1	551.4	501.1
Liabilities				
<i>Non-current liabilities</i>				
Borrowing	18	0.3	5.7	5.8
Pension obligations	19	0.4	0.3	0.1
Deferred tax liabilities	11	23.0	28.7	5.2
Other provisions	20	7.0	5.4	4.6
Total non-current liabilities		30.8	40.1	15.7
<i>Current liabilities</i>				
Accounts payable and other liabilities	21	318.7	291.1	253.6
Current tax liabilities		0.8	25.8	18.9
Derivative instruments	22	67.9	6.0	-
Total current liabilities		387.4	322.9	272.5
Total liabilities		418.1	363.0	288.2
TOTAL EQUITY AND LIABILITIES		859.3	914.4	789.3
MEMORANDUM ITEMS				
<i>Pledged assets</i>		<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>		<i>NONE</i>	<i>NONE</i>	<i>NONE</i>

The parent company's balance sheet

EQUITY & LIABILITIES	Note	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
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	5.3
Profit brought forward		158.1	290.9	355.6
Net profit for the year		116.9	170.7	143.1
Total non-restricted equity		275.0	470.2	504.0
Total equity		275.7	470.9	504.7
Untaxed reserves				
Tax allocation reserve		187.4	108.9	24.1
Total untaxed reserves		187.4	108.9	24.1
Liabilities				
<i>Current liabilities</i>				
Liabilities to Group companies		0.8	322.8	8.2
Tax liabilities		-	21.4	21.9
Other liabilities		1.0	0.5	-
Accrued expenses and deferred income	22	66.9	8.3	2.8
Total current liabilities		68.7	353.0	32.9
Total liabilities		68.7	353.0	32.9
TOTAL EQUITY AND LIABILITIES		531.8	932.7	561.7
MEMORANDUM ITEMS				
<i>Pledged assets</i>		<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>	27	6.7	6.0	6.0

Change in equity – group

	Attributable to the Parent Company's shareholders				Total equity
	Share capital	Other paid-up capital ¹⁾	Other reserves	Profit brought forward	
Opening balance as at January 1, 2006	0.7	266.4	16.9	123.2	407.2
Other adjustments	-	-	0.0	-0.4	-0.4
Cash flow hedges, after tax	-	-	3.4	-	3.4
Hedging of net investments, after tax	-	-	6.6	-	6.6
Exchange rate differences	-	-	-9.5	-	-9.5
Total income and expenses recognized in equity	0.0	0.0	0.5	-0.4	0.1
Net profit for the year	-	-	-	157.4	157.4
Total recognized income and expenses for 2006	-	-	0.5	157.0	157.5
Opening balance as at January 1, 2007	0.7	271.7	17.4	211.2	501.0
Other adjustments	-	-	-	-0.2	-0.2
Cash flow hedges, after tax	-	-	-7.1	-	-7.1
Hedging of net investments, after tax	-	-	6.8	-	6.8
Exchange rate differences	-	-	-3.4	-	-3.4
Total income and expenses recognized in equity	0.0	0.0	-3.7	-0.2	-3.9
Net profit for the year	-	-	-	258.8	258.8
Total recognized income and expenses for 2007	-	-	-3.7	258.6	254.9
Opening balance as at January 1, 2008	0.7	275.0	13.7	262.0	551.4
Other adjustments	-	-	-	-	-
Cash flow hedges, after tax	-	-	-36.0	-	-36.0
Hedging of net investments, after tax	-	-	-18.4	-	-18.4
Exchange rate differences	-	-	3.9	-	3.9
Total income and expenses recognized in equity	0.0	0.0	-50.5	0.0	-50.5
Net profit for the year	-	-	-	252.4	252.4
Total recognized income and expenses for 2008	-	0.0	-50.5	252.4	201.9
Opening balance as at January 1, 2009	0.7	275.0	13.7	262.0	551.4
Other adjustments	-	-	-	-	-
Cash flow hedges, after tax	-	-	-36.0	-	-36.0
Hedging of net investments, after tax	-	-	-18.4	-	-18.4
Exchange rate differences	-	-	3.9	-	3.9
Total income and expenses recognized in equity	0.0	0.0	-50.5	0.0	-50.5
Net profit for the year	-	-	-	252.4	252.4
Total recognized income and expenses for 2008	-	0.0	-50.5	252.4	201.9
Opening balance as at January 1, 2008	0.7	275.0	13.7	262.0	551.4
Other adjustments	-	-	-	-	-
Cash flow hedges, after tax	-	-	-36.0	-	-36.0
Hedging of net investments, after tax	-	-	-18.4	-	-18.4
Exchange rate differences	-	-	3.9	-	3.9
Total income and expenses recognized in equity	0.0	0.0	-50.5	0.0	-50.5
Net profit for the year	-	-	-	252.4	252.4
Total recognized income and expenses for 2008	-	0.0	-50.5	252.4	201.9
Opening balance as at January 1, 2007	0.7	271.7	17.4	211.2	501.0
Other adjustments	-	-	-	-0.2	-0.2
Cash flow hedges, after tax	-	-	-7.1	-	-7.1
Hedging of net investments, after tax	-	-	6.8	-	6.8
Exchange rate differences	-	-	-3.4	-	-3.4
Total income and expenses recognized in equity	0.0	0.0	-3.7	-0.2	-3.9
Net profit for the year	-	-	-	258.8	258.8
Total recognized income and expenses for 2007	-	-	-3.7	258.6	254.9
Opening balance as at January 1, 2006	0.7	266.4	16.9	123.2	407.2
Other adjustments	-	-	-	-0.4	-0.4
Cash flow hedges, after tax	-	-	3.4	-	3.4
Hedging of net investments, after tax	-	-	6.6	-	6.6
Exchange rate differences	-	-	-9.5	-	-9.5
Total income and expenses recognized in equity	0.0	0.0	0.5	-0.4	0.1
Net profit for the year	-	-	-	157.4	157.4
Total recognized income and expenses for 2006	-	-	0.5	157.0	157.5

¹⁾ In previous annual reports, Other paid-up capital was recognized in Other reserves.

Change in equity – parent company

	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Net profit for the year	Total equity
Equity, December 31, 2005	0.7	293.3	-	60.8	70.5	425.3
Reversal of net profit for the year	-	-	-	70.5	-70.5	-
New issue on exercise of options	0.0	-	5.3	-	-	5.3
Dividend	-	-	-	-69.0	-	-69.0
Reduction of statutory reserve	-	-293.3	-	293.3	-	-
Net profit for the year	-	-	-	-	143.1	143.1
Equity, 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, 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	-	-	-	-	-
Dividend	-	-	-8.7	-303.5	-	-312.2
Net profit for the year	-	-	-	-	116.9	116.9
Equity, December 31, 2008	0.7	-	-	158.1	116.9	275.7

Number of shares as at December 31, 2008 totaled 69,373,700. The par value was SEK 0.01 per share.

At the annual general meeting on April 22 a dividend of SEK 1.25 per share in respect of 2008 will be proposed. During 2008, SEK 4.50 per share was paid in respect of the fiscal year 2007.

Consolidated cash flow statement

	Note	2008	2007	2006
<i>Operating activities</i>				
Cash flow from the operation	28	330.2	378.7	233.7
Financial expenses paid		-0.8	-0.7	-0.5
Taxes paid		-127.0	-75.1	-6.3
Cash flow from operating activities		202.4	302.9	226.9
<i>Investing activities</i>				
Acquisition of property, plant and equipment	5	-27.1	-14.8	-14.2
Acquisition of intangible assets	5	-25.9	-13.0	-23.8
Investments in other financial assets		-2.3	-	-
Cash flow from investing activities		-55.3	-27.8	-38.0
<i>Financing activities</i>				
New issue		0.1	3.4	5.3
Dividend paid		-312.2	-207.8	-69.0
Amortization of loans		-5.7	-	-
Other		-	-	1.0
Cash flow from financing activities		-317.8	-204.4	-62.7
Cash flow for the year		-170.7	70.7	126.2
Cash and cash equivalents at the start of the year		384.1	313.4	187.2
Change in cash and cash equivalents		-170.7	70.7	126.2
Cash and cash equivalents at the end of the year	15	213.4	384.1	313.4

Cash flow statement – parent company

	Note	2008	2007	2006
<i>Operating activities</i>				
Cash flow from the operation	28	34.6	117.5	0.0
Net interest income/expense		-102.8	7.9	24.2
Group contribution received	23	356.8	321.3	195.2
Shareholders' contribution paid	23	-5.4	-3.3	-2.6
Adjustment for cash flow not affecting Group contribution		-33.4	-125.4	-5.7
Taxes paid		-101.8	-70.1	-
Cash flow from operating activities		148.0	247.9	211.1
<i>Financing activities</i>				
New issue		0.0	3.3	5.3
Dividend paid		-312.2	-207.8	-69.0
Cash flow from financing activities		-312.2	-204.5	-63.7
Cash flow for the year		-164.2	43.4	147.4
Cash and cash equivalents at the start of the year		296.7	253.3	105.9
Change in cash and cash equivalents		-164.2	43.4	147.4
Cash and cash equivalents at the end of the year		132.5	296.7	253.3

Notes

Note 1 General information

Axis develops products which add value to network video solutions. The company is an innovative market leader in the fields of network video solutions and print servers. Axis' solutions are used mainly in security systems, remote monitoring and document processing applications. All products are based on the company's own chip technology which is also sold to third-party developers. Founded in 1984, Axis is listed on NASDAQ OMX Stockholm AB, under the ticker AXIS. The company operates globally through its own offices in 20 countries, as well as through collaboration with distributors, system integrators and OEM partners in about 70 countries. More than 95 percent of sales are to markets outside Sweden.

These financial statements were approved by the Board of Directors on February 4, 2009.

Note 2 Accounting principles

2.1 Basis for preparing the financial statements

The consolidated financial statements for the Axis Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 most important accounting principles applied in preparing the consolidated financial statements are specified below.

Preparing financial statements in conformity with IFRS requires the use of some important accounting estimates. In addition, management is required to make judgments in applying the company's accounting principles. 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 accounts 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.

Several new amendments, interpretations and standards have been added that enter into force for fiscal years beginning on January 1, 2009 or later and which have not been taken into consideration in preparing the consolidated financial statements. The following new amendments, interpretations and standards are applicable, or are considered to be applicable to the Axis Group:

IAS 1 Presentation of Financial Statements. The standard has been revised and mainly refers to changes in format and presentation of non-owner related changes in equity and a statement is introduced for profits and losses which are recognized directly against equity. The Group plans to apply this revised standard as from January 1, 2009

IAS 23 Borrowing Costs. The standard has been revised so that borrowing costs are capitalized for assets that require a significant time for construction. The Group plans to apply this change as from January 1, 2009, but this amendment is not considered to have any material impact on the consolidated financial statements.

IFRS 2 Share-based Payments. The standards have been amended so that the terms vesting conditions and cancellation have been clarified. The Group plans to apply this change as from January 1, 2009, but this amendment is not considered to have any material impact on the consolidated financial statements.

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 Group plans to apply this new standard as from January 1, 2009.

IAS 32 Financial Instruments: Classification. The change refers to disclosures on redeemable instruments and obligations arising on liquidation. IAS 1 Pres-

entation of Financial Statements has also been amended in this respect. The Group plans to apply this change as from January 1, 2009, but this amendment is not considered to have any impact on the consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements. The amendment applies as from July 1, 2009 and requires that the effects of all transactions with minority owners are recognized in equity if it does not give rise to any change in the controlling influence and that these transactions no longer are a source of goodwill or profits and losses. The Group plans to apply this change as from January 1, 2010, but this amendment is not considered to have any impact on the consolidated financial statements.

IFRS 3 Business Combinations. The standard has been revised with a comprehensive amendment of application of the acquisition method with resulting revisions in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Joint Ventures. The Group plans to apply the revised standard as from January 1, 2010.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 clarifies the accounting treatment of hedges of a net investment. The Group will apply IFRIC 16 as from January 1, 2009, but it is not considered to have any material impact on the consolidated financial statements.

2.2 Consolidated financial statements

Subsidiaries are all the companies for which the Group has the right to set financial and operational strategies in the manner normally associated with a shareholding amounting to more than half of the voting rights. The existence and effect of potential voting rights which it is currently possible to utilize or convert are to be taken into account in the assessment of whether the Group exercises a controlling influence over another company. Subsidiaries are to be included in the consolidated financial statements from and including the date on which the controlling influence is transferred to the Group. They are to be excluded from the consolidated financial statements from and including the date on which the controlling influence ceases.

The purchase method is used for the accounting of Axis' acquisitions of subsidiaries. The acquisition cost is made up of the fair value of assets given, equity instruments issued by the acquirer and incurred or assumed liabilities at the date of exchange, plus any costs directly attributable to the acquisition. Identifiable acquired assets and assumed liabilities, along with any contingent liabilities in a corporate acquisition, are initially valued at the fair value on the date of acquisition irrespective of the extent of any minority interest. The surplus represented by the difference between the acquisition value and the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. If the acquisition cost is below the fair value of the subsidiary company's net assets, the difference is recognized directly in the income statement.

Internal Group 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 a proof that an impairment need exists in relation to the assumed assets. Where appropriate, the accounting principles for subsidiaries have been changed to ensure the consistent application of the Group's principles.

In the event of different valuations 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 Translation of foreign currencies

All foreign subsidiaries within the Axis Group have functional currencies other than the currency in which the Group prepares its financial statements. Assets and liabilities are translated at the closing day rate on the respective closing day. Items in the income statement are translated at the exchange rate on the transaction date approximated to the average exchange rate. Translation differences are recognized directly against equity.

During consolidation, exchange rate differences, which arose in consequence of the translation of net investment in foreign operations and from borrowing and other currency instruments which have been identified as hedges for such investments, are taken to equity. In the event that a foreign operation is sold, any such exchange rate differences in the income statement are recognized as part of the capital gain or loss.

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

The Group's translation gains or losses are recognized in the operating profit.

2.4 Inventories

Goods for resale are valued at the lower of cost (cost of the acquisition of the asset 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.

2.5 Receivables

Receivables are recognized at the amount which it is expected will be received. Receivables in foreign currencies are valued at the closing day rate.

2.6 Property, plant and equipment

Property, plant and equipment are recognized at acquisition value after deduction of accumulated depreciation according to plan. The acquisition value includes expenditure which can be directly attributed to the acquisition of the asset. The acquisition value may also include transfers from equity of gains/losses from cash flow hedging, which fulfil the conditions for hedge accounting, in respect of purchases of property, plant and equipment in foreign currency. In the event that the recognized value of an asset exceeds its estimated recoverable amount, the asset is impaired immediately to its recoverable amount.

Depreciation according to plan is calculated on the original acquisition values and is based on the estimated useful life of the assets as follows:

Plant and equipment	3-10 years
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2.7 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 valuation at fair value. In the event that the recognized value of an asset exceeds its estimated recoverable amount, the asset is impaired immediately 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 to different network applications are not capitalized. Expenditure on research is charged to results in the year in which it is incurred.

Depreciation according to plan is calculated on the original acquisition values and is based on the estimated useful life of the assets in accordance with the following:

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

The depreciation starts when the asset is ready for use.

2.8 Impairment of assets

Assets which have an undetermined useful life 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 value may not actually be recoverable. An impairment is made by the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use. In carrying out an impairment test, 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.

2.9 Cash and cash equivalents

Cash and cash equivalents are defined as cash, bank balances and other short-term investments with maturities of less than three months from the date of acquisition. Valuation of other short term investments takes place at amortized cost.

2.10 Financial instruments

Financial instruments are classified into the following categories: financial assets valued at fair value via the income statement, loan receivables and accounts receivable, financial instruments which are to be held to maturity and financial assets which are available for sale. The classification is dependent on the aim for which the instrument was acquired. Management determines the classification of instruments at the first accounting date, and reviews this decision at every accounting date. All financial instruments are recognized from the transaction date.

For accounting of derivatives refer to note 3.2.

(a) Financial assets valued 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 valued at fair value via the income statement. A financial asset is to be classified in this category if it was acquired primarily with the aim of being sold 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 identified as hedges. 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 balance sheet date.

(b) Loan receivables and accounts receivable, which are valued at fair value.

Loan receivables and accounts receivable are non-derivative financial assets with established or ascertainable payments which are not listed on 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 a maturity date of more than 12 months after the balance sheet date, which are classified as fixed assets. Loan receivables and accounts receivable are included in the Accounts receivable and other receivables item in the balance sheet (see note 13 Accounts receivable and other receivables).

(c) Financial assets which are to be held to maturity

Financial instruments which are to be held to maturity are non-derivative financial assets with established or ascertainable payments and an established term which the Group's management has the intention and ability to hold until maturity. During the fiscal year, Axis did not hold any instruments belonging to this category.

(d) Financial assets which are available for sale

Financial assets which are available for sale are non-derivative assets which are either assigned to this category or which have not been classified in any of the other categories. They are included in fixed assets unless the management intends to dispose of the asset within twelve months of the balance sheet date. During the fiscal year, Axis did not hold any instruments belonging to this category.

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 each balance sheet date, 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.

2.11 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.

2.12 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 valued at their nominal amount in accordance with the tax regulations and the tax rates adopted or announced and which there is a considerable degree of certainty will be adopted. 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 taxes are estimated in accordance with the balance sheet method on all temporary differences arising between the recognized carrying amounts for tax purposes 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.

2.13 Cash flow statement

The cash flow statement for the Group 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 balances and bank funds, as well as to short-term investments with a maturity of less than 3 months from the date of acquisition. All items included in cash and cash equivalents can be readily converted to cash.

2.14 Leasing

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

2.15 Income 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 internal Group sales.

Licensing revenues are recognized as income 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.

2.16 Borrowing costs

All borrowing costs are recognized as an expense as they arise

2.17 Share-based payments

The Axis Group has outstanding options programs that are paid in shares, for its employees in the USA. 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 stock option rights. On the acquisition of stock options by employees, the funds are transferred to restricted reserves. When the options are ex-

ercised, 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.

2.18 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's statement UFR 3, this is a defined benefit plan which covers a number of employers. For the fiscal year 2008, 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.

2.19 Important estimations and assumptions for accounting purposes

Warranties

The Group generally offers a three year warranty on its network products. The management makes an estimation 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 currency risk, interest-rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investment of surplus liquidity.

Through its operations, Axis is exposed to a number of different financial risks: a) market risk (including currency risk, interest rate risk and pricing 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 results. The Group uses derivative instruments to hedge certain risk exposures.

a) Market risk

Axis' finance policy defines how currency risk should be minimized. Currency risk is divided into two main groups: 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 all 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 for the next 3–12 months within the range 30–50 percent. 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 2008, 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 on the balance sheet date. A summary is presented below of cash flow hedges for expected flows in 2009 and hedges of net investment as at Dec 31, 2008 and Dec 31, 2007.

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 %

Position Dec 31, 2007

Currency type	Net investment			Cash flow hedges		
	Exposure	Total derivative	Hedged portion	Exposure	Total derivative	Hedged portion
EUR	-	-	-	65.9	31.9	48 %
JPY	161.1	130.0	81 %	-	-	-
USD	14.0	11.2	80 %	39.7	13.0	33 %

Axis conducts a monthly effectiveness test to assess if the requirements for hedge accounting under IAS 39 are complied with. During 2008, all tests have shown that Axis lies within the allowed range for effectiveness in outstanding hedges.

Pricing risk arises when the Group's costs rise as a result of our suppliers' price increases on 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 results. The finance policy states that the Treasury Department must minimize interest-rate cost 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 on credit facilities do not fluctuate by more than two percentage points over one year. The interest-rate risk for 2008 was marginal, since the credit facilities were unutilized throughout the year.

Surplus cash and cash equivalents are invested in fixed-interest securities with a maximum remaining term of two years, and an average term of no more than 6 months. On December 31, 2008, SEK 60 M (190) was invested in fixed-interest securities with an average term of less than one month (one month). The interest rate risk in the surplus 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 2008. 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 result, SEK M
Currency, SEK/USD	+/-5	+/- 13
Currency, SEK/EUR	+/-5	+/- 36
Purchases	+/-5	+/- 44
Personnel	+/-5	+/-21

b) Credit risk

Credit risk is handled at a Group level. Credit risk arises through cash and cash equivalents, derivative instruments and balances at banks and financial institutions and through credit exposures to customers, including outstand-

ing receivables and deals agreed. Only banks and financial institutions that are independent valuers, which have received the long-term rating A or better from external raters, according to 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 external 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 experiences 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 followed up regularly. Advance payments or letters of credit are employed when the risk is considered too high.

For risk assessment of accounts receivable 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 10 percent of sales in cash and cash equivalents or unutilized credit facilities. On December 31, 2008, Axis had SEK 213 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 200 M, compared with SEK 384 M and SEK 210 M respectively on December 31, 2007. The interest rate on unutilized credit facilities was determined on December 31, 2008 on the basis of the changes in STIBOR.

The unutilized credit facilities of SEK 200 M applies up to and including June 30, 2009, 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 (result 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 the result before net financial items, taxes, depreciation and impairments of fixed assets) measured every end of quarter as a rolling twelve-month value does not exceed 2; c) the equity/assets ratio (the Group's equity through the balance sheet total) does not fall below 35 %. During 2008, 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 financial derivative 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 (under 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) Hedging of fair value

Changes in the fair value of derivatives identified as hedges of fair value, and which fulfil the conditions for hedge accounting, are recognized in the income statement (Other income and changes in value) along with changes in fair value of the asset or liability which gave rise to the hedged risk.

(b) Cash flow hedges

Axis also holds financial derivative 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 equity. The accumulated amount in equity is reversed to the income statement in the periods in which the hedged item affects results (Other income and changes in value).

(c) Hedging of net investment, equity hedge

Hedging of net investment in foreign operations is 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 assessing the fair value of a hedge, the valuation effects from fluctuations in exchange rates are taken to equity, and the interest component is taken to the income statement.

3.3 Calculation of fair value

The fair value of financial instruments which are traded on an active market, such as market-listed derivative instruments, is based on listed market prices on the balance sheet date. 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 for 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 on the balance sheet date. Other techniques, such as discounted cash flow calculations, 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 on the balance sheet date.

The nominal value, reduced by any assessed credits, of accounts receivable and accounts payable is assumed to equal their fair value. The fair value of financial liabilities is calculated, 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.

3.4 Handling of capital risk

The Group's goal in relation to the capital structure is to safeguard the Group's ability to pursue its operations in order that it can continue to generate a return to the shareholders and benefit to other stakeholders and to maintain an optimal capital structure in order to keep down the capital costs.

To maintain or adjust the capital structure, the Group can change the dividend paid to the shareholders, issue new shares or sell assets, reduce or increase indebtedness.

Since 2007, Axis holds an 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 is covered by 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	2008	2007	2006
EMEA (Europe, Middle East, Africa)	947.4	800.3	581.4
Asia	174.9	156.7	135.9
North & South America	852.5	714.3	485.2
	1,974.8	1,671.3	1,202.5

The recognized value of assets and investments is divided by geographical area according to where the assets are located when they amount to at least 10 percent of the Group's total assets.

	Assets			Investments		
	2008	2007	2006	2008	2007	2006
EMEA (Europe, Middle East, Africa)	409.4	443.0	376.4	46.2	26.5	36.6
Asia	79.9	69.7	75.2	1.1	1.0	0.8
North & South America	264.9	323.0	256.2	5.7	-	0.8
	754.2	835.7	707.8	53.0	27.5	38.2

Note 5 Fixed assets

	Plant & equipment	Capitalized development	Rights/customer register		Total
			Other		
As at January 1, 2006					
Acquisition value	83.7	56.7	12.1	7.7	76.5
Accumulated depreciation and impairment	-74.9	-4.5	-9.1	-7.7	-21.3
Carrying amount	8.8	52.2	3.0	0.0	55.2
Jan 1–Dec 31, 2006					
Carrying amount brought forward	8.8	52.2	3.0	0.0	55.2
Exchange rate difference	-0.3	-	-	-	-
Acquisitions	14.5	15.2	8.5	-	23.7
Sales and Disposals	0.0	-	-	-	-
Depreciation and impairment	-5.0	-10.9	-4.6	-	-15.5
Carrying amount carried forward	18.0	56.5	6.9	-	63.4
As at Dec 31, 2006					
Acquisition value	90.2	71.9	20.7	7.7	100.3
Accumulated depreciation and impairment	-72.2	-15.4	-13.8	-7.7	-36.9
Carrying amount	18.0	56.5	6.9	-	63.4
Jan 1–Dec 31, 2007					
Carrying amount brought forward	18.0	56.5	6.9	-	63.4
Exchange rate difference	-0.1	-	-	-	-
Acquisitions	14.8	13.0	-	-	13.0
Sales and Disposals	-0.2	-	-	-	-
Depreciation and impairment	-8.2	-10.9	-2.9	-	-13.8
Carrying amount carried forward	24.3	58.6	4.0	-	62.6
As at Dec 31, 2007					
Acquisition value	103.8	86.5	20.7	-	107.2
Accumulated depreciation and impairment	-79.5	-27.9	-16.7	-	-44.6
Carrying amount	24.3	58.6	4.0	-	62.6
Jan 1–Dec 31, 2008					
Carrying amount brought forward	24.3	58.6	4.0	-	62.6
Exchange rate difference	1.3	-	-	-	-
Acquisitions	27.1	25.9	-	-	25.9
Sales and Disposals	-0.3	-	-	-	-
Depreciation and impairment	-13.5	-24.3	-2.8	-	-27.1
Carrying amount carried forward	38.9	60.2	1.2	-	61.4
As at Dec 31, 2008					
Acquisition value	131.9	112.4	20.7	-	133.1
Accumulated depreciation and impairment	-93.0	-52.2	-19.5	-	-71.7
Carrying amount	38.9	60.2	1.2	-	61.4

Note 6 Costs divided by cost type

	2008	2007	2006
Depreciation and impairment (note 5)	-40.6	-22.0	-20.6
Expenses for remuneration to employees (note 19)	-420.0	-365.7	-295.2
Cost of purchasing and handling goods for resale	-887.7	-747.9	-543.5
Other external costs	-294.7	-174.8	-123.0
	-1,643.0	-1,310.4	-982.3

Note 7 Audit fees

	2008	2007	2006
Audit fees to Öhrlings PricewaterhouseCoopers	1.0	0.9	0.7
Other fees to Öhrlings PricewaterhouseCoopers	1.6	0.4	0.5
Audit fees to other auditors	1.1	0.7	0.7
	3.7	2.0	1.9

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

	2008	2007	2006
<i>Financial assets valued at fair value</i>			
Fair value, realized and unrealized exchange rate fluctuations	12.6	13.5	2.1
<i>Derivative instruments</i>			
Cash flow hedges	-13.4	-13.6	-3.6
Interest income			
	9.6	7.2	3.9
	8.8	7.2	2.5

Note 9 Income tax

	The Group			The Parent Company		
	2008	2007	2006	2008	2007	2006
Current tax	-87.3	-81.9	-25.9	-66.0	-71.2	-20.2
Deferred tax	-0.1	-26.7	-39.1	15.6	3.3	-36.4
	-87.4	-108.6	-65.0	-50.4	-67.9	-56.6
Recognized profit before tax	339.8	367.3	222.4	167.3	238.5	199.7
Theoretical tax, 28 percent	-95.1	-102.8	-62.3	-46.8	-66.8	-55.9
Recognized tax	-87.4	-108.6	-65.0	-50.4	-67.9	-56.6
Difference between theoretical and recognized tax	7.7	-5.8	-2.7	-3.6	-1.1	-0.7
<i>Due</i>						
Non-deductible expenses	-0.4	-1.2	-0.8	-4.1	-1.1	-0.7
Differences in tax rates	6.3	-4.6	-1.9	0.5	-	-
Adjustment of previous year's tax	1.8	-	-	-	-	-
<i>Deductible</i>						
Non-taxable income	0.0	0.0	0.0	-	-	-
	7.7	-5.8	-2.7	-3.6	-1.1	-0.7

Note 10 Earnings per share

Earnings per share before dilution

Earnings per share before dilution are calculated by dividing the earnings attributable to the Parent Company's shareholders by a weighted average of the number of outstanding ordinary shares during the period.

	The Parent Company		
	2008	2007	2006
Earnings attributable to the Parent Company's shareholders	252.4	258.7	157.4
Weighted average of the number of outstanding ordinary shares, thousands	69,374	69,315	69,084
Earnings per share before dilution, SEK	3.64	3.73	2.28

Earnings per share after dilution

In calculating earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilution effect of all potential ordinary shares. The Parent Company has, on a number of occasions, adopted share option programs for staff, and these constitute the only potential dilution effect. For the share options, a calculation is made of the number of shares which could have been purchased at fair value (calculated as the average market price for the year of the Parent Company's shares), for an amount equivalent to the monetary value of the subscription rights linked to the outstanding share options. The number of shares as calculated in accordance with the above is compared with the number of shares which would have been issued on the assumption that the share options were exercised. If all outstanding share option programs were exercised in their entirety, the maximum dilution would be 156,850 shares.

	The Parent Company		
	2008	2007	2006
Earnings attributable to the Parent Company's shareholders	252.4	258.7	157.4
Weighted average of the number of outstanding ordinary shares, thousands	69,374	69,315	69,084
Potential dilution effect of outstanding share options	78	111	136
Weighted average of the number of outstanding ordinary shares after dilution, thousands	69,452	69,426	69,220
Earnings per share after dilution, SEK	3.63	3.73	2.27

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:

	The Group			The Parent Company		
	2008	2007	2006	2008	2007	2006
<i>Deferred tax assets ¹⁾</i>						
Property, plant and equipment and intangible fixed assets	0.8	-	0.8	-	-	-
Financial instruments	19.5	0.5	-	17.3	1.7	-
Inventories	2.5	2.2	2.6	-	-	-
Accumulated loss carryforwards ²⁾	1.4	0.5	0.6	-	-	-
Other items	2.1	0.5	-	-	-	-
	26.3	3.7	4.0	17.3	1.7	-
<i>Deferred tax liabilities</i>						
Property, plant and equipment and intangible fixed assets	-	1.8	-	-	-	-
Financial assets	-	-	2.4	-	-	-
Tax allocation reserve	49.3	30.5	6.8	-	-	-
Other items	-	-	-	-	-	1.6
	49.3	32.3	9.2	-	-	-
Deferred tax assets/tax liabilities	-23.0	-28.6	-5.2	17.3	1.7	-1.6

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

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

Note 12 Inventories

	The Group		
	2008	2007	2006
Goods for resale	248.7	166.1	151.7
	248.7	166.1	151.7

Costs of 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 9.9 M (9.1).

Note 13 Accounts receivable and other receivables

	The Group		
	2008	2007	2006
Accounts receivable	217.9	239.5	203.9
Provision for fall in value of receivables	-6.6	-2.2	-1.3
Accounts receivable – net	211.2	237.3	202.6
Other receivables	34.5	15.2	11.9
Prepaid expenses and accrued income	28.8	20.7	18.2
	274.5	273.2	232.7

Changes in the provision for doubtful debts are as follows:

	2008	2007	2006
As at January 1	2.2	1.3	0.7
Provision for doubtful debts	4.6	2.0	2.5
Receivables written off during the year that are not recoverable	-	-1.1	-1.8
Reversed unutilized amount	-0.2	-	-
As at December 31	6.6	2.2	1.3

Age distribution of Accounts receivable:

	The Group		
	2008	2007	2006
Not due	166.7	171.0	142.3
Of which reserved	-	-	-
Due for up to 3 months	45.2	63.7	57.4
Of which reserved	-0.7	-	-0.1
Due over 3 months	5.9	4.9	4.2
Of which reserved	-5.9	-2.2	-1.2
	211.2	237.3	202.6

The verified customer losses during 2008 totaled SEK 0.0 M (1.1).

Credit rating, Customers (according to Dun & Bradstreet)

Risk Range	The Group		
	2008	2007	2006
Lowest risk	103.7	-	-
Low risk	29.7	-	-
Medium risk	23.5	-	-
High risk	3.8	-	-
Highest risk	8.0	-	-
Unclassified	38.3	-	-
No Dun & Bradstreet data	10.9	-	-
	217.9	-	-

Comparative data in respect of customer credit rating is not available for previous years.

Note 14 Other financial assets

	The Group		
	2008	2007	2006
Aptilo Networks AB	1.6	1.6	1.6
Other	4.0	2.5	2.6
	5.6	4.1	4.2

All non-current receivables fall due within five years of the balance sheet date.

Note 15 Cash and cash equivalents

	The Group			The Parent Company		
	2008	2007	2006	2008	2007	2006
Cash and bank balances	153.4	194.1	88.5	72.5	106.7	28.3
Short-term bank investments	60.0	190.0	225.0	60.0	190.0	225.0
	213.4	384.1	313.5	132.5	296.7	253.3

Credit rating of cash and cash equivalents:

	The Group					
	2008	Rating 2008	2007	Rating 2007	2006	Rating 2006
Danske Bank	40.0	AA-	-	-	-	-
HSBC	21.6	AA	-	-	-	-
Nordea	131.3	AA-	360.3	AA-	222.7	AA-
Skandinaviska Enskilda Banken	9.7	A+	9.5	A+	36.8	A+
Svenska Handelsbanken	0.1	AA-	1.7	AA-	41.5	AA-
Other	10.7	N/A	12.6	N/A	12.5	N/A
	213.4		384.1		313.5	

The effective rate of interest for short-term bank investments was 5.8 % (4.3). These investments have an average due date of 11 (28) days. Axis has an unutilized credit facility of SEK 200 M (SEK 210 M).

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 a 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 Stockholm AB official price list for shares in the company calculated over a period of five trading days. The share options may be transferred and do not expire if the employee leaves the company. The share options can be exercised during the term of the options.

The table below 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.

Recipients	Due date	Subscription price	Acquisition price	Funds received	Number of options Dec 31, 2007	Number exercised	Number of options Dec 31, 2008	Number of shares	Full dilution
Staff in the USA	Sep 30, 2010	48.00	15.50	2,669,875	158,350	1,500	156,850	156,850	0.23 %
				2,669,875	158,350	1,500	156,850	156,850	0.23 %

Note 17 Other reserves in Equity

	Hedge reserve	Translation reserve	Total
Balance brought forward as at Jan 1, 2006	-7.7	24.6	16.9
Cash flow hedges	4.8	-	4.8
Hedging of net investment, equity hedge	9.1	-	9.1
Tax relating to cash flow hedges	-1.3	-	-1.3
Tax relating to hedging of net investment, equity hedge	-2.6	-	-2.6
Translation differences	-	-9.5	-9.5
Balance carried forward as at Dec 31, 2006	2.3	15.1	17.4
Balance brought forward as at Jan 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 hedging of net investment, equity hedge	-0.5	-	-0.5
Translation differences	-	-3.4	-3.4
Balance carried forward as at Dec 31, 2007	2.0	11.7	13.7
Balance brought forward as at Jan 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 hedging of net investment, equity hedge	7.3	-	7.3
Translation differences	-	3.9	3.9
Balance carried forward as at Dec 31, 2008	-52.4	15.6	-36.8

The amount in respect of cash flow hedges which has been transferred from equity to the income statement during the year totaled SEK 3.4 M (SEK 3.4 M).

The funds paid to the Parent Company for the share options amount in total to SEK 12,500,000. 1,500 share options were exercised during 2008 fiscal year.

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

The company's share capital consists of 69,373,700 (69,372,200) 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.

Note 18 Borrowing

	The Group		
	2008	2007	2006
Long-term portion	0.3	5.7	5.8
	0.3	5.7	5.8

Note 19 Personnel

Distribution of the average number of employees:

	Women			Men			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
The Parent Company	-	-	-	-	-	-	-	-	-
Brazil	2	-	-	6	-	-	8	-	-
Denmark	-	-	-	1	1	1	1	1	1
France	10	7	5	7	7	9	17	14	14
Japan	7	7	7	7	6	6	14	13	13
Netherlands	2	1	1	5	4	3	7	5	4
Russia	1	-	-	2	-	-	3	-	-
Singapore & Asia Pacific	33	12	12	39	23	17	72	35	29
Spain & Italy	6	6	4	18	15	10	24	21	14
UK	3	3	2	9	8	6	12	11	8
Sweden	102	80	68	317	248	227	419	328	295
South Africa	3	2	2	3	5	2	6	7	4
Germany	5	5	4	12	8	4	17	13	8
USA	15	14	9	48	45	28	63	59	37
Group total	189	137	114	474	370	313	663	507	427

Salaries and remuneration have totaled:

	Board & CEO			Other			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
The Parent Company	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	1.3	-	-	1.3	-	-
Denmark	-	-	-	0.8	0.7	0.7	0.8	0.7	0.7
France	-	-	-	10.9	11.3	8.5	10.9	11.3	8.5
Japan	-	-	-	7.4	5.7	7.0	7.4	5.7	7.0
Netherlands	-	-	-	3.8	3.1	2.4	3.8	3.1	2.4
Russia	-	-	-	0.7	-	-	0.7	-	-
Singapore & Asia Pacific	-	-	-	20.2	10.5	8.8	20.2	10.5	8.8
Spain & Italy	-	-	-	10.5	9.6	6.1	10.5	9.6	6.1
UK	-	-	-	8.2	9.1	6.6	8.2	9.1	6.6
Sweden	3.0	5.0	8.0	187.5	171.0	141.5	190.5	176.0	149.5
South Africa	-	-	-	2.8	2.1	2.0	2.8	2.1	2.0
Germany	-	-	-	13.0	10.2	5.6	13.0	10.2	5.6
USA	-	-	-	41.0	31.9	23.2	41.0	31.9	23.2
Group total	3.0	5.0	8.0	308.1	265.2	212.4	311.1	270.2	220.4

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)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
The Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	311.1	270.2	220.4	108.9	95.5	74.8	29.3	20.1	19.8
Group total	311.1	270.2	220.4	108.9	95.5	74.8	29.3	20.1	19.8

Remuneration to the Board of Directors:

	The Group		
	2008	2007	2006
Directors' fees	1.0	0.8	0.8
	1.0	0.8	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 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 2008 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 100 percent of an annual salary. For the 2009 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 2008 fiscal year have not been charged with any costs in respect of bonus to the President and CEO or to the other senior executives.

Of the eight senior executives (preceding year eight), six are men (preceding year six) 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 expenses	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)	0.9	-	-	0.2	0.0	1.1
Ray Mauritsson (CEO)	2.1	-	0.0	0.7	0.0	2.8
Other senior executives (seven)	7.0	-	0.0	1.7	0.1	8.7
	10.9	-	0.0	2.6	0.1	13.7

No bonus is paid for 2008. The bonus in respect of the 2007 fiscal year was paid during 2008 and amounted to SEK 2,350,000 for the President and CEO, and a total of SEK 2,225,000 for the other senior executives. 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. Pension premium amounts to 35 percent of the pensionable salary 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 2008, neither the President and CEO nor other senior executives acquired share 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 2008, 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 26 M (15) during the year. Alecta's surplus may be allocated to the policyholders and/or the beneficiaries. At the end of 2008, Alecta's surplus in the form of the collective consolidation level amounted to 111 percent (152 percent). The collective consolidation level is calculated as the market value on Alecta's asset portfolio in relation to insurance obligations according to actuarial assumptions set by Alecta, which do not comply with IAS 19.

	The Group		
	2008	2007	2006
Costs for defined contribution plans	25.7	20.9	21.3
Cost of special employer's contribution	5.6	4.8	4.1
	31.3	25.8	25.4

Severance pay

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, severance pay equivalent to 12 cash monthly salaries is payable. The severance pay is not set off against other income. In the event that the President and CEO gives notice, no severance payment 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, severance pay corresponding to six cash monthly salaries is payable to certain other senior executives, whereas other senior executives are not entitled to severance pay. In the event that the senior executive gives notice, no severance pay 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: 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 2008 was determined by the Board on the basis of the Remuneration Committee's recommendation. Remuneration to other senior executives was decided by the President and CEO in consultation with the Remuneration Committee. The Annual General Meeting on April 17, 2008, 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

	The Group		
	2008	2007	2006
Guarantee reserve	7.0	3.2	-
Anticipated additional purchase price, customer register	-	2.2	4.6
	7.0	5.4	4.6

	The Group		
	2008	2007	2006
Provisions brought forward	5.4	4.6	3.8
Change during the year	1.6	0.8	0.8
Provisions carried forward	7.0	5.4	4.6

Note 21 Accounts payable and other liabilities

	The Group		
	2008	2007	2006
Accounts payable	149.8	127.8	117.5
Other liabilities	20.0	7.1	12.5
Social security contributions and other taxes	26.6	17.5	14.5
Accrued expenses	122.4	138.8	109.1
	318.7	291.1	253.6

Note 22 Derivative instruments

2007	The Group		
	Assets	Liabilities	Net
Currency swaps – equity hedge	0.0	-1.2	-1.2
Currency futures – equity hedge	0.0	-	0
	0.0	-1.2	-1.2
Currency futures – cash flow hedge	2.0	-6.7	-4.7
	2.0	-7.9	-5.9

2008	The Group		
	Assets	Liabilities	Net
Currency swaps – equity hedge	2.2	-	2.2
Currency futures – equity hedge	-	-	-
	-	-	-
Currency futures – cash flow hedge	-	-67.9	-67.9
	2.2	-67.9	-65.7

Note 23 Results from participations in Group companies

	The Parent Company		
	2008	2007	2006
Group contributions received	356.8	321.3	195.2
Write-down of shares in subsidiaries	-5.4	-3.3	-2.6
	351.4	318.0	192.6

Note 24 Interest income and similar profit/loss items

	The Parent Company		
	2008	2007	2006
Interest income	7.6	7.7	4.9
Interest income from Group companies	0.3	0.3	0.3
Exchange rate differences	22.4	22.8	31.9
	30.3	30.8	37.1

Note 25 Interest expense and similar profit/loss items

	The Parent Company		
	2008	2007	2006
Interest expense	-0.2	-0.1	-0.3
Interest expense to Group companies	-0.5	-1.6	-1.1
Exchange rate differences	-132.0	-21.0	-4.2
Other financial expenses	-0.4	-0.1	-0.1
	-133.1	-22.9	-5.7

Note 26 Participations in subsidiaries

Shares owned by the Parent Company	Registered office	Registration no.	Share of votes and capital	Number of shares	Par value	Carrying amount		
						Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Axis Communications AB	Sweden, Lund	556253-6143	100 %	1,600	0.2	0.3	0.3	0.3
Gren & 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
Total						0.7	0.7	0.7

Shares owned by subsidiaries	Registered office	Registration no.	Proportion of capital
Axis Communications Pty Ltd	Australia		100 %
Axis Communications Com e Serv Ltda	Brazil		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		
	2008	2007	2006
Contingent liabilities on behalf of other Group companies	6.7	6.0	6.0
	6.7	6.0	6.0

Note 28 Cash flow from operating activities

	The Group			The Parent Company		
	2008	2007	2006	2008	2007	2006
Net profit/loss for the period before financial items	340.6	368.1	223.1	-2.7	-2.7	0
Adjusted for:						
– depreciation of property, plant and equipment	13.5	13.7	5.0	-	-	-
– depreciation and amortization of intangible assets	27.1	8.2	15.6	-	-	-
– other items not affecting liquidity	-9.1	-5.8	3.7	-0.1	-	-
Change in working capital						
– inventories	-82.5	-14.4	-33.9	-	-	-
– accounts receivable and other receivables	-3.5	-34.6	-71.5	303.2	-199.2	0
– accounts payable and other liabilities	44.1	43.5	91.7	-265.8	319.4	0
Cash flow from operating activities	330.2	378.7	233.7	34.6	117.5	0

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 share 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 true and fair overview 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 22, 2009.

Lund, February 4, 2009

Lars-Erik Nilsson
Chairman of the Board

Ray Mauritsson
President & CEO

Göran Jansson

Martin Gren

Charlotta Falvin

Olle Isberg

Our audit report was submitted on February 4, 2009.

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 2008. The company's annual accounts and the consolidated accounts are included in the printed version on pages 36–58. 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 IFRS 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 IFRS 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 statements and balance sheets of the parent company and 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 4, 2009
Öhrlings PricewaterhouseCoopers AB

Bertil Johanson
*Authorized Public Accountant
Chief Auditor*

Multi-year summary

INCOME STATEMENT (SEK M)	2003	2004	2005	2006	2007	2008
Net sales	623.6	691.5	895.1	1,202.5	1,671.3	1,974.8
Cost of goods and services sold	-301.9	-332.0	-412.1	-543.5	-747.9	-887.7
Gross profit	321.7	359.5	483.0	659.0	923.4	1,087.1
Other income and changes in value	-	2.7	-2.7	2.5	7.2	8.8
Selling and marketing expenses	-165.1	-154.1	-176.3	-226.7	-307.5	-403.8
Administrative expenses	-44.8	-42.3	-53.3	-53.5	-61.7	-82.9
Research and development expenses	-112.0	-114.8	-122.5	-158.2	-193.4	-268.6
Other interest income	1.2	-	-	-	-	-
Operating profit/loss	1.1	51.0	128.2	223.2	368.1	340.6
Net financial income/expense	7.2	-0.8	-0.7	-0.8	-0.7	-0.8
Profit/loss after financial items	8.3	50.3	127.5	222.4	367.4	339.8
Tax on profit/loss for the period	-10.9	-19.7	-36.5	-65.0	-108.6	-87.4
Net profit/loss for the year	-2.6	30.5	91.1	157.4	258.8	252.4
	Dec 31, 2003	Dec 31, 2004	Dec 31, 2005	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008
BALANCE SHEET (SEK M)						
Non current assets	132.5	118.4	107.2	85.6	91.0	105.8
Inventories	67.1	85.8	117.8	151.7	166.1	248.7
Account receivables	94.1	107.0	142.7	202.6	237.3	211.3
Other receivables	36.9	37.8	25.3	36.0	35.9	80.1
Cash and cash equivalents	103.0	121.0	187.2	313.5	384.1	213.4
Total	433.6	470.0	580.2	789.3	914.4	859.3
Equity	300.3	339.8	407.3	501.1	551.5	441.1
Provisions	7.1	-	-	-	-	-
Long-term liabilities	10.2	10.3	10.8	15.7	40.1	30.8
Current liabilities	116.0	119.9	162.2	272.5	322.8	387.4
Total	433.6	470.0	580.2	789.3	914.4	859.3
	2003	2004	2005	2006	2007	2008
CASH FLOW STATEMENT (SEK M)						
Cash flow from operating activities before change in working capital	15.3	58.9	145.7	240.6	308.3	244.3
Change in working capital	-17.1	-29.0	-15.1	-13.7	-5.6	-41.9
Cash flow from operating activities	-1.8	29.8	130.5	226.9	302.7	202.4
Cash flow from investing activities	-28.5	-14.8	-29.9	-38.0	-27.6	-55.3
Cash flow from financing activities	3.3	3.0	-34.4	-62.7	-204.5	-317.8
Cash flow for the period	-27.0	18.0	66.2	126.2	70.7	-170.7
Cash and cash equivalents at the start of the period	130.0	103.0	121.0	187.2	313.5	384.1
Cash and cash equivalents at the close of the period	103.0	121.0	187.2	313.5	384.1	213.4
	2003	2004	2005	2006	2007	2008
OPERATING CASH FLOW (SEK M)						
Profit/loss after financial items	8.3	57.1	127.5	222.4	367.4	339.8
Depreciation	9.1	10.5	12.5	20.6	22.0	40.6
Tax	-4.1	-1.3	0.0	-6.3	-75.1	-127.0
Total	13.3	66.3	140.0	236.7	314.3	253.4
Change in working capital	-17.1	-29.0	-15.1	-13.7	-5.6	-41.9
Net investment	-28.5	-14.8	-29.9	-38.0	-27.8	-55.3
Operating cash flow	-32.3	22.5	95.0	185.0	280.9	156.2

Key ratios	2003	2004	2005	2006	2007	2008
Net sales growth, %	-7.0	10.9	29.4	34.3	39.0	18.2
Gross margin, %	51.6	52.0	54.0	54.8	55.2	55.0
Operating margin, %	0.2	7.4	14.3	18.6	22.0	17.2
Profit margin, %	1.3	7.3	14.2	18.5	22.0	17.2
Depreciation, SEK M	9	11	13	20	22	41
Equity, SEK M	300	340	407	501	551	441
Capital employed, SEK M	315	352	412	517	592	472
Interest-bearing liabilities, SEK M	10	6	7	6	6	-
Net interest-bearing liabilities, SEK M	-93	-115	-180	-302	-390	-213
Balance sheet total, SEK M	434	470	580	789	914	859
Return on capital employed, %	2.9	15.3	33.6	48.1	66.4	64.1
Return on total assets, %	2.1	11.3	24.4	32.6	43.2	38.4
Return on equity, %	2.0	11.5	24.6	35.3	50.3	49.3
Interest coverage ratio, multiple	13.8	67.2	196.9	297.5	517.0	411.9
Net debt/equity ratio, multiple	-0.3	-0.3	-0.4	-0.6	-0.7	-0.5
Equity/assets ratio, %	69.3	72.3	70.2	63.5	60.4	51.3
Proportion risk-bearing capital, %	69.9	72.4	70.2	64.1	63.5	54.0
Capital turnover rate, multiple	2.0	2.1	2.3	2.6	3.0	3.7
Number of employees (average for the period)	356	343	361	427	507	663
Sales per employee, SEK M	1.8	2.0	2.5	2.8	3.3	3.0
Operating profit per employee, SEK M	0.0	0.2	0.4	0.5	0.7	0.5
	2003	2004	2005	2006	2007	2008
Data per share						
Profit after financial items, SEK	0.12	0.83	1.85	3.21	5.30	4.90
Cash flow, SEK	-0.39	0.26	0.96	1.82	1.02	-2.46
Equity, SEK	4.36	4.93	5.91	7.24	7.95	6.36
Share price at the close of the period	17.00	18.00	58.25	91.75	159.00	57.50
Price/equity, percent	390	365	986	1268	2000	904
Dividend, SEK (paid during the year)	0.15	-	0.5	1.00	3.00	4.50
P/E ratio	neg	41	44	40	43	16
P/S ratio	1.9	1.8	4.5	5.3	6.60	2.02
Profit per share before dilution, SEK	0.12	0.44	1.32	2.28	3.73	3.64
Profit per share after dilution, SEK	0.12	0.44	1.32	2.27	3.73	3.63
Number of shares before dilution, average, thousand	68,900	68,900	68,906	69,084	69,315	69,374
Number of shares after dilution, average, thousand	68,900	68,900	69,121	69,220	69,426	69,452
Number of outstanding shares (thousand)	68,900	68,900	68,925	69,253	69,372	69,374
Average number of shares (thousand)	68,900	68,900	68,906	69,084	69,315	69,374

Definitions

Proportion of risk-bearing capital
Equity plus minority interests and deferred tax liabilities as a percentage of the balance sheet total.

Return on equity
Profit after financial items with full tax deducted divided by average equity.

Return on capital employed
Profit after financial items plus financial expenses divided by average capital employed.

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

Gross margin
Gross profit as a percentage of net sales.

Equity per share
Equity divided by the number of outstanding shares.

Capital turnover rate
Net sales divided by average capital employed (adjusted to twelve months for 2000).

Cash flow per share
Cash flow for the year divided by the average number of shares (adjusted to twelve months for 2000).

Net debt/equity ratio
Net interest-bearing liabilities divided by equity.

Net interest-bearing liabilities
Interest-bearing liabilities less cash and cash equivalents.

Sales per employee
Sales divided by the average number of full-time employees.

P/E
Market value divided by profit after full tax.

P/S
Market value divided by net sales.

Profit per employee
Operating profit after depreciation divided by the average number of full-time employees.

Earnings per share
Profit after financial items divided by the average number of shares.

Interest coverage ratio
Profit after financial items plus financial expenses divided by financial expenses.

Operating margin after depreciation of property, plant and equipment
Operating profit after depreciation of property, plant and equipment as a percentage of sales

Operating margin
Operating profit as a percentage of sales.

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

Capital employed
The balance sheet total less non interest-bearing liabilities including deferred tax liability.

Profit margin
Profit after financial items as a percentage of sales.

Quarterly data

Invoicing per product group (SEK M)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Full year 2008
Video	309.2	368.2	412.7	439.8	409.5	472.9	522.4	480.4	1,885.2
Print	18.7	29.6	15.3	15.4	13.6	12.0	10.6	10.8	47.0
Scan	4.6	8.5	9.6	17.7	12.2	5.9	7.3	7.5	32.9
Other	5.7	4.0	6.5	5.7	2.3	3.0	2.8	1.7	9.7
Total	338.2	410.3	444.2	478.6	437.6	493.8	543.1	500.4	1,974.8

Invoicing per region (SEK M)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Full year 2008
EMEA	161.3	181.7	212.3	245.0	220.5	249.0	234.7	243.2	947.4
Americas	141.9	179.3	198.2	194.9	173.8	211.7	263.4	203.6	852.5
Asia	35.0	49.3	33.8	38.6	43.3	33.1	44.9	53.7	174.9
Total	338.2	410.3	444.2	478.6	437.6	493.8	543.0	500.5	1,974.8

Income statement (SEK M)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Full year 2008
Net sales	338.2	410.3	444.2	478.6	437.5	493.8	543.0	500.5	1,974.8
Gross profit	186.16	230.82	242.09	264.30	242.50	277.60	297.80	269.20	1,087.10
Gross margin	55.1 %	56.3 %	54.5 %	55.2 %	55.4 %	56.2 %	54.8 %	53.8 %	55.0 %
Operating profit/loss	66.6	94.6	102.4	104.4	68.5	91.6	131.1	49.4	340.6
Operating margin	19.7 %	23.1 %	23.1 %	21.8 %	15.7 %	18.6 %	24.1 %	9.9 %	17.2 %
Profit after financial items	66.4	94.4	102.2	104.3	68.2	91.6	130.9	49.2	339.9

Board of Directors and Auditors

Lars-Erik Nilsson

Member of Board since 2003.
Chairman of the Board since September 2005.
Chairman of the Board: Avensia Innovation AB (formerly Luvit AB).
Director: Consellar AB, MultiQ International AB and Netrevelation AB.
Education: Graduate engineer.
Working experience: Ericsson, Thomson CSF Skandinavien, Compaq Computer.
Principal employment: Various directorships.
Shares in Axis: 10,000.

Charlotta Falvin

Member of Board since 2006.
Director: Apptus AB.
Education: Graduate in Business Administration, University of Lund.
Working experience: Lars Weibull AB, Axis Communications AB, Decuma AB.
Principal employment: CEO TAT – The Astonishing Tribe AB.
Shares in Axis: 10,750.

Göran Jansson

Member of Board since 2007.
Chairman of the Board: Bankit AB, Sense for expo AB, nWise AB, Opax A/S.
Vice Chairman of the Board: Note AB.
Director: Human Care AB, Stille AB, KIN AB.
Education: Graduate in Business Administration, Stockholm.
Working experience: Industriförvaltnings AB Kinnevik, Tele2, Assa Abloy AB.
Principal employment: AAGOJA AB.
Shares in Axis: 10,000.

Martin Gren

Member of Board since 1984.
Chairman of the Board: Askerö Intressenter, Grenspecialisten with subsidiaries, Itact AB.
Director: Tobii Technology AB.
Education: University of Lund.
Working experience: Founder of Axis.
Principal employment: Axis Communications AB.
Shares in Axis: 7,157,471 through Grenspecialisten AB.

Olle Isberg

Member of Board since 2006.
Chairman of the Board: Chairman of Awardit AB, Björkliden Fjällby AB, Visionalis AB, Anerem AB and Hotel Stureplan AB.
Education: Stockholm School of Economics.
Working experience: Öhman Fondkommission, Ratos, H&B Capital.
Principal employment: CEO of Visionalis AB and Senior Adviser in LMK Industri AB.
Shares in Axis: 0.

Auditors

Öhrlings PricewaterhouseCoopers.
Chief auditor: Bertil Johanson, born 1949.
Authorized Public Accountant.
Assigned to Axis since 2007.



Lars-Erik Nilsson



Charlotta Falvin



Göran Jansson



Martin Gren



Olle Isberg

Ray Mauritsson

Born 1962.

President and Chief Executive Officer

Employed by Axis since 1995.

Education: Graduate engineer, Technological physics and Executive MBA from the Institute of Economics, University of Lund.

Previous employment: TAC.

Other directorships: HMS Industrial Networks.

Shares in Axis: 25,000.

Jonas Hansson

Born 1967.

Chief Information Officer

Employed by Axis since 2000.

Education: Graduate Engineer and journalism studies, University of Lund

Previous employment: Netch Technologies, Nationalencyklopedin.

Shares in Axis: 7,751.

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.

Fredrik Sjöstrand

Born 1969.

Vice President Finance and Chief Financial Officer

Employed by Axis since 1998.

Education: Graduate in Business Administration, University of Lund

Previous employment: E.ON, PricewaterhouseCoopers.

Shares in Axis: 24,000.

Per Ädelroth

Born 1966.

Vice President, Operations

Employed by Axis since 1994.

Education: Graduate Engineer, Industrial economics, Chalmers, Gothenburg.

Previous employment: Accenture.

Other directorships: Svep Design Center.

Shares in Axis: 26,000.

Johan Paulsson

Born 1963.

Chief Technology Officer

Employed by Axis since 2008.

Education: Graduate Engineer, Electrical engineering, University of Lund

Previous employment: Ericsson, Anoto.

Other directorships: Agellis.

Shares in Axis: 0.

Bodil Sonesson Gallon

Born 1968.

Vice President, Global Sales

Employed by Axis since 1996.

Education: Graduate in Business Administration, International Finance, University of Lund and Konstanz University, Germany.

Previous employment: Lars Weibull.

Shares in Axis: 850.

Management team



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 joint 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 in the following. The corporate governance report describes how corporate governance has been conducted in Axis during the fiscal year 2008. The corporate governance report has not been reviewed by the auditors.

Deviations

Axis deviates from the code in the following cases. In relation to items 1.2.1 (distance participation), 1.4.3 (material and simultaneous interpretation) and 1.4.5 (translation of minutes), 1.5 (simultaneous interpretation to another language) and 1.7 (the minutes in another language than Swedish) the company deviates from the Code's "soft" requirements 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. The company deviates in

relation to items 10.1 & 10.2 (audit committee) as the entire Board constitutes the audit committee.

Share capital and voting rights

Axis had 17,503 shareholders at the close of 2008 according to the share register kept by VPC AB. The company's principal owner is LMK Industri (19.9 percent of the share capital). Foreign investor's equity interest was 23 percent. The ten largest owners had total holdings corresponding to 56.5 percent of the share capital. For additional ownership information see page 30 in the annual report. The company's share capital totaled SEK 693,737 at year-end, distributed among 69,373,700 shares. All 69,373,700 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 annual general meeting in Axis AB is held annually in the Lund area during the first half of the year. The place and date of the annual meeting will be announced in connection with the third quarter report. Information regarding the shareholders' right to have matters dealt with at the annual meeting will be published in the third quarter report. The notice convening the annual 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 made on important questions. The shareholders are given the opportunity at the Annual General Meeting to put 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, shareholder must be registered in the share register and have given notice of participation within a certain time. Those shareholders that cannot personally attend, may exercise their votes by proxy.

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 was held in Lund on April 17, 2008.

The general meeting resolved as follows.

- > that a dividend of SEK 1.25 per share be paid and SEK 3.25 as an extra dividend in the light of the company's strong financial position, and
- > to authorize the Board to resolve on a new issue. The Board received the mandate, during the period until the next annual general meeting, deviating from the shareholders' preferential rights, on one or more occasions to make a new issue of a maximum of 6,868,000 shares in total. The purpose of the authorization is to facilitate corporate acquisitions with payment wholly or partly in Axis shares.

Nominating Committee 2008

The Annual General Meeting resolves how the nominating committee shall be appointed. The Annual General Meeting 2008 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 S.P.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 the general meeting's resolutions in election and remuneration questions, as well as in 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, among other things, by acquainting themselves with the result of the evaluation of the Board that has taken place.

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 tasks 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 2005 and is available in its entirety on www.axis.com (select Investor Relations).

Composition

All nominated Members of the Board were present at the annual general meeting on April 17, 2008. The Board members Charlotta Falvin,

Martin Gren, Olle Isberg, Göran Jansson and Lars-Erik Nilsson were re-elected. Lars-Erik Nilsson was re-elected Chairman of the Board. Martin Gren is employed in Axis Communications and is one of the three largest shareholders in the company. The other Board members Lars-Erik Nilsson, Charlotta Falvin, Göran Jansson and Olle Isberg are independent in relation to Axis and the company management according to the Code's provisions and NASDAQ OMX Nordic's continuous 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 55.

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 2008

During the year, the Board devoted a considerable part of its work in particular to an advancement of the focused strategy in the network video area. 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 2008, the Board held nine Board meetings including the inaugural meeting after election. See table below for meeting attendance.

Member	Meeting	1	2	3	4	5	6	7	8	9
Lars-Erik Nilsson (chairman)		X	X	X	X	X	X	X	X	X
Charlotta Falvin		X	X	X	X	X	X	X	X	X
Martin Gren		X	X	X	X	X	X	X	X	X
Olle Isberg		X	X	X	X	X	X	X	X	X
Göran Jansson		X	X	X	X	X	X	X	X	X

A presentation of the Board may be found on page 63.

Committees

Remuneration committee

The task of the Remuneration Committee is to prepare decisions and guidelines relating to salary and other 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 inaugural Board meeting after the annual general meeting. In 2008, the committee consisted of Lars-Erik Nilsson (convener) and Olle Isberg. During the year, the Committee held one meeting, where both members participated. Information regarding the management team's remuneration and other employment conditions can be found on page 55 in the annual report and information regarding outstanding incentive programs on page 55.

Audit Committee

The Board has decided not to establish an audit committee. The Board of Directors believes that taking account of the limited size it is most appropriate that the entire Board carries out the tasks of the audit committee.

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 in HMS Industrial Networks. For information regarding shareholding, see page 64 in the annual report.

The President and CEO manages the day-to-day work of the operations, and is responsible for keeping the Board informed of the performance of the operations, and that they are being carried on 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 12 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 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 covering only internal controls of 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 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 employees in Sweden as well as internationally, undergo 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 is to ensure that external and internal information provision 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 give 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 low-impact 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 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 aid in 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 organization 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 Board 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 a continuous 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, partly when they attend Board meetings and partly 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 per year, at which the auditors give their assessment and observations on the business processes, accounts and reports. The Chairman of the Board also maintains continuous contact with the auditors.

Financial reporting and follow up

The financial reporting and financial control are carried on 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 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 Group-wide factor in 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 three-to-five year scenarios. ■

Milestones in Axis' Communication's history

■ 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 innovative 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.

■ 2003–2008 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. ■



1996



1999



2003



2004



2006



2007



2008

Financial information 2009

Interim report: Tuesday April 21
 Annual General Meeting: Wednesday April 22
 Half-year report: Wednesday July 8
 Interim report: Friday October 16
 Annual report 2009 to be published in March 2010

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-mail 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 22, 2009 at 5.00 p.m. Shareholders who wish to participate in the 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 Thursday, April 16, 2009. 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 22, 2009. The notification of participation must be received by Axis AB no later than 13.00 on Thursday April 16, 2009. 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 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

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More addresses can be found on www.axis.com/corporate/contact.htm

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



Corporate Registration No. 556241-1065

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