


# ANNUAL REPORT 2011





**F20** Note 4: Segment information




**F25** Note 19:  
Personnel



**F2** Corporate governance report

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**F9** Consolidated statement of comprehensive income

## Administration report

The Board of Directors and President of Axis AB (publ) 556241-1065 submit the following financial statements and consolidated financial statements for the fiscal year January 1, 2011–December 31, 2011. Unless otherwise stated, all amounts are in SEK millions. 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 technology platforms.

Axis is a Swedish company, which acts globally with its own employees in 37 countries and through collaboration with partners in more than 70 countries. Founded in 1984, Axis is listed on NASDAQ OMX Stockholm, under the ticker AXIS. For more information about Axis, please visit our website at [www.axis.com](http://www.axis.com).

### Significant events

During the year, the network video market continued to grow at a favorable rate, driven by the technology shift from analog to digital solutions. Despite considerable macroeconomic problems in a number of countries, demand for network video products was still good. There was a very strong close to the year and all major markets showed strong sales results. In the Video product area, Axis strengthened and advanced its position as market leader with sales growth in local currencies of 33 percent. The market presence was strengthened by reinforcing sales resources with own employees in both established and new geographical markets. Axis has continued to pursue geographically diversified recruitment where the sales people operate from "home offices" both in the established markets and in emerging markets.

A high rate of product development continued throughout 2011. Several new innovative products with better performance and enhanced intelligence were introduced and received positively by the market. In total more than 30 new models and a number of variants were released.

15 years after the release of the first network camera, the rate of innovation is still high, even within direct camera-related functions, such as image quality. During 2011, a new generation of light sensitive surveillance cameras were released equipped with the so-called Lightfinder technology, which offers high image quality even in very poor and demanding light conditions. Axis' knowledge about image processing, chip development, choice of sensors and day and night lenses, means that these cameras can maintain focus in both daylight and infrared light and deliver color images even if light conditions are poor.

The interest in network video is well spread over a number of sectors and application areas. During the year, several exciting deals were completed with major chain stores, public authorities and within the transport sector. The close collaboration with partners, distributors, resellers and applica-

tion developers continued during 2011. Within the partnership programs, the members were trained in the benefits of network video in general and Axis' product range in particular. At the end of the year, over 45,000 system integrators and 900 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. Axis continually evaluates the operations and products in order to increase knowledge of their environmental impact. Life cycle analyses were carried out during 2010 and 2011 on several of the products. The analyses show that a considerable part of the environmental impact during the lifecycle of the products is related to their energy consumption during use in the final installations. Great importance is thus attached in the development process to designing products with good energy performance. A clear result of the environmental work is that it has been possible to reduce the products' energy consumption even though performance and functions have increased considerably. The products have also been designed in a more compact way, which reduces material usage and transportation volumes.

### Research and development

During 2011, 13.6 percent (13.7) of the group's sales were invested in research and development within both hardware and software. The research and development expenses increased by SEK 86 M (50) compared to the preceding year and amounted to SEK 468 M (382). Expenditure on development work totaling SEK 19 M (20) was capitalized during the year. The capitalization principle is described further in note 2 to the financial statements. Axis' technology is based on the internally-developed ASIC (Application Specific Integrated Circuit) platforms, which are at the heart of Axis' products. The ARTPEC chips are optimized for effective image processing and image compression and are found in the majority of Axis' products. In conjunction with Axis' software platforms, they form a very flexible technology base on which world-leading products can be developed, rapidly and cost effectively. Work on development of future generations of ARTPEC continued during 2011.

Axis conducts an active patent strategy in order to safeguard investments in core technology and intellectual capital. During the year, applications for ten new patent families were filed, chiefly within image processing and network technology. In early 2011, Axis strengthened its patent portfolio with an additional number of patents within network communication through an acquisition of patents from Hoya/Pentax. During 2011, 9 national patents and a number of registered designs were granted. A total of 33 patent and registered design applications were filed. Axis currently holds 119 active patent and registered design families.

The exposure to intellectual property risk in the patents area is managed



by Axis' specialists, in collaboration with external lawyers and advisors. To date, a few disputes concerning patent infringement have been discussed, but these have not had any material consequences for Axis.

Research efforts are entirely focused on four strategic areas at present: image quality, image analysis, system solutions and network security. Long-term technological development is conducted in-house in all these areas. Research is largely carried out as an industrial undertaking in various national and local research programs.

## Employees

The recruitment rate was considerably higher than 2010. At the end of the year, the number of employees totaled 1,127, which is a net increase of 213 people since December 31, 2010. Most of the increase took place in sales and marketing as well as in research and development. Of the employees, 718 (602) work in Sweden and 409 (312) in other countries.

## Financing and cash flow

Axis had a total of SEK 625 M at its disposal on December 31, 2011, of which cash and cash equivalent amounted to SEK 425 M and unutilized credit facilities totaled SEK 200 M. From January 1, 2012, unutilized credit facilities amount to SEK 500 M. Consequently, Axis is in a very strong financial position approaching 2012. The cash flow from operating activities amounted to SEK 452 M (391). The strong cash flow was mainly due to the favorable operating profit. The strong expansion during 2011 impacted the working capital, negatively by SEK 118 M, net. Inventories and trade receivables increased by SEK 117 M and SEK 116 M respectively while current liabilities increased by SEK 189 M. Net investments for the year totaled SEK 82 M (52) and total cash flow amounted to SEK 59 M (64).

## Investments

Investments in property, plant and equipment amounted to SEK 45 M (32), and in intangible assets to SEK 39 M (20). Net investments for the year according to the consolidated statement of cash flows amounted to SEK 82 M (52).

## 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.

## Earnings and position

Sales during the year totaled SEK 3,578 M (2,933) which represents growth of 22 percent compared to the preceding year. Currency effects had a negative impact on sales of SEK 313 M. The Video product area, that corresponds to more than 99 percent of sales, increased by 23 percent from SEK 2,890 to SEK 3,550 while other sales decreased by 37 percent to SEK 27 M. The gross margin remained stable at the same level as the preceding year and amounted to 51.1 percent compared to 50.7 percent in 2010.

The group's operating profit amounted to SEK 633 M (415), which is an increase of SEK 218 M (53 %) compared to the preceding year. The operating margin strengthened, driven by the strong sales trend, from 14.1 percent in 2010 to 17.7 percent in 2011. Foreign currency effects impacted operating profit negatively by SEK 46 M. Profit before tax amounted to

SEK 631 M (413), which implies an increase of SEK 218 M compared to the preceding year.

## Condensed income statement

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	TOTAL 2011
Net sales, SEK M	808.3	747.2	971.2	1,050.9	3,577.6
Gross profit, SEK M	411.5	382.4	499.7	533.7	1,827.4
Gross margin, %	50.9	51.2	51.5	50.8	51.1
Operating profit, SEK M	126.2	90.2	224.9	191.9	633.3
Operating margin, %	15.6	12.1	23.2	18.3	17.7
Profit before tax, SEK M	125.9	89.5	224.0	191.6	631.0
Profit margin, %	15.6	12.0	23.1	18.2	17.6

## Group key ratios

	2011	2010	2009	2008	2007
Net sales, SEK M	3,577.6	2,933.0	2,300.7	1,974.8	1,671.3
Profit before tax, SEK M	631.0	412.8	306.7	339.8	367.4
Balance sheet total, SEK M	1,617.8	1,278.9	1,118.3	859.3	914.4
Equity/assets ratio, %	47.5	49.0	54.2	51.3	60.4
Return on total assets, %	43.7	34.6	31.2	38.4	43.2
Return on equity, %	66.6	49.3	43.2	49.3	50.3
Earnings per share before dilution, SEK	6.56	4.32	3.10	3.64	3.73
Earnings per share after dilution, SEK	6.56	4.32	3.10	3.63	3.73
Shares before dilution, thousands (average)	69,461	69,406	69,374	69,374	69,315
Shares after dilution, thousands (average)	69,461	69,406	69,423	69,452	69,426
Number of employees at year-end	1,127	914	774	716	564

Definitions are presented in note 29.

## Corporate Governance Report

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 group management in accordance with prevailing laws, regulations and instructions.

Axis AB (publ) (hereafter "Axis") is a public Swedish stock corporation with its registered office in Lund, Sweden. Axis was floated on the Stockholm Stock Exchange in 2000 and is currently listed on NASDAQ OMX Stockholm's main market. The company follows the provisions of the Swedish Companies Act as well as the stock exchange regulations for listed companies in Sweden. The company has not committed any breaches of NASDAQ OMX Stockholm's rules and regulations or of best practice in the labor market.

The corporate governance report describes how corporate governance has been conducted in Axis during the fiscal year 2011. The corporate governance report is reviewed by the company's auditors as it is part of the company's administration report.

Axis applies the Swedish Code for Corporate Governance (hereafter the "Code") according to which this corporate governance report is prepared, and follows it with the exception of what is expressly stated below. Information about the Code may be found on [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

### Deviations from the Code

The company deviates in relation to item 2.1 (the nomination committee shall submit proposals regarding appointment and remuneration of auditors) with the explanation that the board prepares and conducts procurement in consultation with the nominating committee. The board considers that it has the appropriate qualification to do so by virtue of its composition and skills.

### Share capital, voting rights and ownership

Axis had 16,597 shareholders at the end of 2011 according to the share register maintained by Euroclear Sweden AB. The company's principal owner is Inter Indu AB (14.4 percent of the share capital). Foreign investors' equity interest was 19.6 percent. The ten largest owners had total holdings corresponding to 61.8 percent of the share capital. For additional ownership data see page 40 in the printed annual report. The company's share capital totaled SEK 694,612 at year-end, distributed among 69,461,250 shares. All shares (as at December 31, 2011) carry one vote and equal right to share in the company's assets and earnings.

	Number of shares	Share of equity and votes
C Brandberg, privately and via company (Inter Indu AB)	10,016,667	14.4 %
T Karlsson, privately and via company (LMK Industri AB)	10,000,000	14.4 %
M Gren, via company (Grenspecialisten AB)	7,357,471	10.6 %
Robur	4,428,408	6.4 %
Didner & Gerge Mutual fund	3,316,844	4.8 %
Others	34,341,860	49.4 %
<b>TOTAL</b>	<b>69,461,250</b>	<b>100.0 %</b>

### Provisions in Articles of Association

The company's articles of association do not contain any limitations in respect of how many votes each shareholder may cast at a general meeting of shareholders.

There are no special provisions in the company's articles of association regarding appointment and dismissal of board members or regarding amendment of the articles of association.

### General meeting of shareholders

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 consolidated financial statements is called the Annual General Meeting. The auditors submit the audit report and the audit report for the group at the annual general meeting. The particulars of the annual general meeting are governed by the Swedish Companies Act and by the articles of association. The annual general meeting in Axis AB is held annually in the Lund area during the first half of the year. The venue and date of the annual meeting will be announced in connection with the interim report for the third quarter in the preceding year. Information regarding the shareholders' right to have matters addressed at the annual meeting is published in the interim report for the third quarter in the year before the meeting and is available on the company's website from the time of the report's publication. 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 passed on important questions. The

shareholders are given the opportunity at the annual general meeting to ask questions about the company and the results for the year in question. In order for shareholders to attend the general meeting and vote for their shares held, they must be registered in the share register and have given notice of participation within a specified time. Those shareholders who cannot personally attend may exercise their votes by proxy. The company does not apply any special arrangements as regards the running of the general meeting of shareholders, either on account of provisions in the articles of association or, as far as the company knows, shareholders' agreements.

### Annual General Meeting April 14, 2011

The annual general meeting which was held in Lund on April 14, 2011 resolved as follows:

- > that six (6) ordinary board members be elected without any deputy board members,
- > to re-elect the board members Lars-Erik Nilsson, Charlotta Falvin, Martin Gren, Olle Isberg, Göran Jansson and Roland Vejdemo,
- > to re-elect Lars-Erik Nilsson as Chairman of the Board, and
- > that directors' fees of SEK 1,250,000 in total should be paid to be allocated among board members not employed in the company as follows, SEK 450,000 to the chairman of the board and SEK 200,000 to each one of the other members.

The annual general meeting has not authorized the board to resolve that the company should issue new shares or acquire its own shares.

### Nominating Committee 2011

The annual general meeting resolves how the nominating committee shall be appointed, and at the annual general meeting it was resolved that Axis shall have a nominating committee comprising representatives of the three largest shareholders in the company as at August 31, in the year before the annual general meeting. These shareholders shall each appoint a representative to the nominating committee by September 30, in 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; Christer Brandberg (Inter Indu AB), Therese Karlsson (LMK Industri AB) and Martin Gren (AB Grenspecialisten). Christer Brandberg is Chairman and Convener.

### The work of the Nominating Committee

The sole task of the nominating committee is to prepare resolutions for the general meeting in respect of election and remuneration questions, as well as certain procedural matters for the next nominating committee. The nominating committee shall also submit proposals regarding appointment and remuneration of auditors. 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, as a consequence of the company's situation and future direction, by acquainting themselves with the result of the evaluation of the board that has taken place, among other things. Proposals and viewpoints from shareholders concerning the composition of the board of directors may be submitted in writing to the following address: Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, Sweden, or by phone +46 46 272 18 00.

### The Board of Directors

During the period between the annual general meetings, the board of directors of Axis constitutes the highest decision-making body in the company. The duties of the board are governed by the Swedish Companies Act and by the articles of association. The current Articles of Association were adopted at the annual general meeting 2011 and are available in their entirety on [www.axis.com](http://www.axis.com) (select Investor Relations). According to the company's articles of association, the board of directors shall consist of a minimum of three and a maximum of seven members, with a maximum of three deputy board members.

All nominated board members were present at the annual general meeting on April 14, 2011. The board members Charlotta Falvin, Martin Gren, Olle Isberg, Göran Jansson, Roland Vejdemo and Lars-Erik Nilsson were re-elected. Lars-Erik Nilsson was re-elected as chairman of the board. Martin Gren is employed by the subsidiary Axis Communications AB and via company is one of the three largest owners of the company. Olle Isberg is employed by the shareholder LMK Industri AB. The other board members Lars-Erik Nilsson, Charlotta Falvin, Göran Jansson and Roland Vejdemo are independent in relation to Axis, the company management and the major shareholders. Information regarding the remuneration to the board members resolved upon by the annual general meeting may be found in note 19, Personnel. Other information about the board members may be found on page 43 of the printed annual report.

#### *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 responsibilities 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 board members in good time. The minutes are to be circulated to the board members 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 2011*

During the year, the board devoted a considerable part of its work to advancement of the focused strategy in the network video area and the impact of financial developments on the company's business. The board has closely followed the group's financial performance during the year through monthly reports and submissions by the group's CFO 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, which has been carried out without the participation of external parties. According to the formal work plan of the board at least five ordinary meetings must be held annually in addition to the statutory meeting. In addition to this, the board may convene when circumstances so require. During 2011, the board held eight board meetings including the statutory meeting. See table below for meeting attendance.

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

A presentation of the board may be found on page 43 in the printed annual report.

### Committees

#### *Remuneration Committee*

The Board has appointed a Remuneration Committee. The task of the remuneration committee is to prepare the board's decisions and guidelines relating to salary and other terms of employment for the company management (including President) and other employees. The committee shall ensure that the guidelines for determination of salaries and other remuneration to the President and other members of the company management, which have been adopted by the annual general meeting are followed. The remuneration committee shall report to the board on an ongoing basis. The committee is appointed at the statutory meeting following the annual general meeting and in 2011 was composed of Lars-Erik Nilsson (chairman and convener) and Olle Isberg. The two members of the committee held 2 meetings during the year. Information regarding remuneration and other terms of employment for the company management may be found in note 19, Personnel. There are no outstanding incentive programs.

#### *Audit committee*

Questions relating to internal control and audit are handled by the board in its entirety, for which reason no special audit committee has been appointed. The reason for this is that the board has particular experience of such questions and this competence is considered to be of benefit to Axis.

### The President & CEO and Group Management

Axis' group management consists of eight members, and is led by the President and CEO, Ray Mauritsson (born 1962). Ray Mauritsson holds a Master of Science, Engineering physics from Lund University, and an Executive MBA from the Institute of Economics, at Lund University. He joined Axis in 1995, and took over as President and CEO in 2003. Prior to this, Ray Mauritsson held leading positions at TAC (now Schneider Electric). Ray Mauritsson is

a director of HMS Industrial Networks.

For information regarding shareholdings, see page 44 in the printed annual report.

The President and CEO manages the day-to-day work, and is responsible for keeping the board informed of the performance of the operations, and for ensuring that they are being conducted in accordance with the board's guidelines and instructions. The President keeps the board and the chairman continually informed of the company's and the group's financial position and performance. The Group management team held 12 formal and a large number of informal meetings during the year.

#### **Audit**

Axis' auditors are elected by the annual general meeting normally for a period of four years. The company's auditors are PricewaterhouseCoopers AB, with Ola Bjärehäll as Chief Auditor. Ola Bjärehäll was born in 1974 and has been an Authorized Public Accountant since 2004. PricewaterhouseCoopers AB have been Axis' auditors since 1996 and Ola Bjärehäll since 2011.

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 prepare and conduct procurement in consultation with the nominating committee. The procurement 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.

#### **The company's internal control report over the financial reporting 2011** *Introduction*

The board of directors is responsible for the internal control in Axis AB 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 section 7.4 of the Swedish Code of Corporate Governance, and has therefore, been limited to only covering the internal control over the financial reporting. The information in this internal control report applies to both the parent company and the group. 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, ensuring that operational and strategic decisions are based on accurate financial information.

Axis' process for the internal control over the 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 monitoring and reporting.

#### *Control environment*

The board of directors has overall responsibility for establishing and maintaining an effective system for risk assessment and internal control. The board has adopted a formal work plan for its activities, in which the mutual

division of work between the chairman of the board and its members is defined. The day-to-day work of maintaining an effective internal control environment and continuous risk assessment in respect of the 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. Corporate culture**

Axis has a strong and firmly-established corporate culture, which fundamentally encourages all employees to think creatively and innovatively, and to show respect for each other's diversity. Everyone is encouraged to question, take the initiative and take responsibility, and to strive at all times towards the common goals, guided by our watchwords – "act as one", "think big" and "always open". The corporate culture is founded on confidence, trust and personal responsibility. In the recruitment process, great weight is placed on ensuring that the applicants appointed, share the fundamental values on which the corporate culture is built. The majority of new recruits in Sweden as well as internationally, complete introductory training at Axis' headquarters in Lund. The training aims to increase the understanding of Axis' operating procedures and corporate values.

#### **B. Guidelines and policies**

Responsibility and authority are defined in the delegation plan adopted by the board, attestation instructions, handbooks, other policies and codes. The group's most important guidelines and policies relate to financial control, communications issues, 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 disclosure is based on facts, is accurate and uniformly structured. Part of the communications policy deals with Investor Relations, IR, and is intended to ensure compliance with the appropriate laws and stock exchange rules, and to provide a reliable and accurate view of Axis and its operations to players in the financial market. Axis has a Code of Conduct. The purpose of the Code is to set out the approach, values and guidelines that Axis' employees 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.

#### **C. Operational control**

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, marketing, research and development, operations, human resources, information systems 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 group's defined goals.

#### *Risk assessment*

The risk assessment involves identifying, measuring and recording the

sources of risk. The material risks which affect the internal control over the financial reporting are identified at a group and company level, as well as at a regional level. The process of risk assessment also includes risks of impropriety and undue favoritism to another party at the company's expense. The risk assessment procedure results in measures that aim to strengthen the level of control and to support the fulfillment of the fundamental requirements of the financial reporting.

#### *Control activities*

There are both general 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. Regional controllers formally report to the regional sales director but also report operationally to the financial department at headquarters.

#### *Information and communication*

Important guidelines, handbooks and similar information relating to the financial reporting are updated and communicated to the employees concerned on an ongoing basis. There are both formal and informal information channels to the company management and to the board for important information from the employees. The board meets regularly with representatives of the various central functions within the Axis Group when they attend board meetings as well as through individual meetings. The President and CEO and the CFO keep the board continuously informed of the group's financial position, performance and any areas of risk.

The company's auditors attend at least two board meetings per year, at which the auditors give their assessment and observations on the business processes, accounts and reporting. The chairman of the board also maintains continuous contact with the auditors.

#### *Monitoring and financial reporting*

The control organisation is evaluated on an ongoing basis by the Group Controller and CFO with the aim of ensuring quality and efficiency. Compliance with internal routines and processes is validated annually through documented visits by representatives from the group controller function. The CFO actively participates in the recruitment process of all qualified controllers.

Axis does not have a separate internal audit function. Based on a good control environment and external audits by auditors, the board has decided that there are no special operational circumstances or other factors which would justify setting up such a function.

The financial reporting and financial control are conducted in accordance with well-defined guidelines and policies. The various processes are thoroughly supported by complex, purpose-designed IT systems. The company's financial performance is monitored continuously by the board through comprehensive monthly report packages, and through reports by the CFO at all board meetings. Compliance with the company's finance policy is followed up monthly in the report package. 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, which are followed up by the group finance and controller functions. A monthly income statement is prepared for each dimension, and these are followed up together with the responsible managers. At present, the geographical dimension consists of three regions. The smallest components of the functional dimension are the cost centers which, in the aggregate, consist of the three categories Marketing and Sales, Research and Development and Administration. The total number of cost centers with individual income statements and separate follow up amounts to 172. The company's geographical spread creates ideal conditions for comparative analyses between the regions. The key ratios for the different regions constitute a part of the monitoring and analysis work performed by the above-mentioned functions.

Another significant company-wide part of the internal control is the rolling forecast process. Monthly sales forecasts are prepared, with a 12-month horizon and at product level, by the managers of the various regions. The sales forecasts are consolidated and validated by the group's finance department in connection with production of detailed forecasts for the operations. Detailed forecasts are produced twice a year; in May and November, and refer to the next twelve-month period. These are built up from each individual cost center in the group's companies, and then combined with the monthly sales forecasts, and are consolidated, analyzed and compiled by the group's finance department. The forecast drawn up in November, which relates to the next calendar year, is ratified by the board meeting in December. In addition to twelve-month forecasts, the group management team works continuously on overall strategic 3–5 year scenarios.

### **Proposal regarding principles for determination of salaries and other remuneration to the President and other members of the company management**

The board proposes the following principles for determination of salaries and other remuneration to the President and other members of the company management. The guidelines shall apply to employment contracts entered into according to the general meeting's resolutions and guidelines, and in cases where changes are made to existing terms and conditions according to resolutions of general meetings. The guidelines essentially correspond to the principles that have been applied until now. For information regarding terms of remuneration for 2011, please refer to note 19, Personnel.

Remuneration to the President and other members of the company management (that is, the seven persons who jointly with the President comprise the group management) may consist of basic salary, variable remuneration and pension. Other benefits and other remuneration shall be received on the same basis as for other employees.

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

Variable remuneration (bonus) to the President and other senior executives shall be based on the financial goals of the group and shall be calculated



as a function of the sales growth and the operating margin for the year in question. The bonus to the President shall be maximized at 240 percent of the annual salary (for 2012) and for the other members of the senior management the highest individual bonus amount shall be a maximum of 80 percent of the annual salary (for 2012).

The retirement age for the President shall be 65. Pension insurance premiums shall amount to 35 percent of the pension-qualifying salary up to a maximum of 28.5 basic amounts. For a salary in excess of 28.5 basic amounts, a premium of 25 percent shall be paid. The ITP agreement shall be applied for other senior executives with a retirement age of 65.

In the event of termination of employment, a six-month mutual notice period shall apply for the President. In the event of termination of employment of the President by the Company, termination benefits corresponding to up to twelve cash monthly salaries may be paid after the end of the notice period. In the event of termination by the President, no termination benefits shall be payable. A mutual period of notice of three to six months shall apply between the company and the other senior executives. In the event of termination by the company, termination benefits corresponding to six cash monthly salaries can be paid. In the event of termination by any of the senior executives, no termination benefits shall be payable.

Deviations from the principles specified above may be decided by the board of directors, if there are specific reasons in individual cases.

## Material risks and uncertainties

Axis is an international group with operations and customers all over the world and is thus exposed to a number of different risks in its everyday operations. The risk management at Axis aims to minimize the risks but also to ensure that opportunities are utilized in the best way in order to facilitate a continued rapid expansion of the operations.

Axis' risks can be principally divided into external risk, business risk and financial risk. The work of 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 risk is mainly handled at a group management and regional manager level.
- > Management and coordination of financial and insurable risks is mainly carried out by the group's finance department.
- > Function-specific risks in the company-wide functions, Finance, IT/systems, HR and Operations are handled and coordinated within each division. Risks in the legal area are handled by Axis' specialists in cooperation with external lawyers and advisors.

The risks described below are not ranked in relation to one another and the account does not claim to be complete.

### External risk

Axis is impacted by global macroeconomic trends, like the majority of multinational companies. 2011 was characterized by considerable macroeconomic problems in North America and Europe. Despite this, the investment capabilities of Axis' customers have still not been affected to a corresponding degree. Since the macroeconomic trend is still uncertain

there is risk that this may consequently, lead to financing problems for Axis's customers with deferred sales 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 if conditions should change.

Terrorism and political turbulence in many countries can naturally have an adverse impact on Axis global expansion. Another, partly political question, is social acceptance of camera surveillance as well as the privacy issues which may arise in this context. Globally, Axis encounters everything from a very positive attitude to a more sceptical view of camera surveillance. There are no currently known plans for significant changes with regard to legal regulations or restrictions. As market leader, Axis continually strives to communicate the benefits of a safer and more secure environment with network video as a natural component.

During 2011, the world was affected by a series of natural disasters, some of which impacted Axis' global operations. The effects were minimized through cooperation that has been developed with a number of subcontractors that are equally important from a competence and capacity perspective. The floods in Thailand during October and November 2011 only caused a limited fall in sales during the fourth quarter 2011. The risk of minor supply disruptions remains during the first quarter 2012. The effects of the tsunami disaster in Japan in March were handled without any significant disruptions in delivery capacity from a supply standpoint.

### Business risk

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

Trust in and acceptance of new technology and applications in a premature market is particularly dependent on well-functioning products and solutions which deliver high quality and performance. Axis' research and development department works continually to develop new high technology products. The majority of Axis' products are built on the proprietary 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 in the market. The quality is ensured through a well-defined quality and testing process as well as through skilled and careful subcontractors. 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 increased 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. The group finance function continually monitors days sales outstanding and payment behavior etc. in all regions. Credit risks from operating flows are handled at a regional level. The group's credit policy establishes the framework for how credit risks and credit exposure should be handled.

#### Financial risk

The group's international operations involve a number of financial risks which are handled according to the policies adopted annually by the board. The overriding goal of the group's finance function is to provide financing to group companies on an ongoing basis and handle financial risks so that the effects on the group's results are minimized. The group is primarily exposed to financing, foreign exchange and credit risk. Interest risk is assessed as being limited. For further information refer to note 3 to the financial statements.

#### Outlook

Axis and external market research institutions estimate the annual growth potential of the network video market to be 25–30 percent in the next few years. An important factor for continued high future growth is the increasing penetration within smaller-scale installations, which today are dominated by analog systems. This requires further expansion both as regards personnel and marketing efforts. However, the at times, irregular sales trend between individual quarters is expected to continue. Axis project indicators at the end of 2011 pointed to a seasonal slowdown in demand in early 2012, in line with the trend for the same period in recent years. In order to meet market demand and retain its position as the market-leading supplier of network video solutions, Axis will continue to develop and release a large number of innovative products, further develop the partner network and also recruit more employees and expand globally.

#### 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 580 M (368).

#### 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 6,416,500
Net profit for the year	SEK 485,838,510
<b>TOTAL</b>	<b>SEK 492,255,010</b>

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

that a dividend of SEK 5.50 per share shall be paid to shareholders	SEK 382,036,875
carried forward	SEK 110,218,135
<b>TOTAL</b>	<b>SEK 492,255,010</b>

The board anticipates a continued positive trend during the 2012 fiscal year. The view of the board of directors is that the proposed dividend will not prevent the company from fulfilling its obligations over the short or long term or from making necessary investments.

## Consolidated statement of comprehensive income

	Note	2011	2010	2009
Net sales	4	3,577.6	2,933.0	2,300.7
Cost of goods and services sold		-1,750.2	-1,446.7	-1,064.5
<b>Gross profit</b>		<b>1,827.4</b>	<b>1,486.3</b>	<b>1,236.2</b>
Other income and changes in value	8	19.7	-22.3	-49.2
Selling and marketing expenses		-610.4	-553.6	-455.5
Administrative expenses		-135.8	-113.3	-91.3
Research and development expenses		-467.6	-382.1	-332.1
<b>Operating profit</b>	5, 6, 7, 8	<b>633.3</b>	<b>415.0</b>	<b>308.1</b>
Financial expenses		-2.3	-2.2	-1.4
<b>Profit before tax</b>		<b>631.0</b>	<b>412.8</b>	<b>306.7</b>
Tax	9	-175.3	-113.0	-88.9
<b>NET PROFIT FOR THE YEAR</b>		<b>455.7</b>	<b>299.8</b>	<b>217.8</b>
<b>Other comprehensive income *</b>				
Cash flow hedges	17	-	0.9	37.7
Net investment hedge	17	-	0.2	5.1
Exchange differences	17	-1.7	-8.8	-6.6
<b>Other comprehensive income for the year, net after tax</b>		<b>-1.7</b>	<b>-7.7</b>	<b>36.2</b>
<b>Total comprehensive income for the year</b>		<b>454.0</b>	<b>292.1</b>	<b>254.0</b>
<b>Net profit for the year attributable to:</b>				
The parent company's shareholders		455.7	299.8	217.8
<b>Total comprehensive income attributable to:</b>				
The parent company's shareholders		454.0	292.1	254.0
Earnings per share before dilution, SEK	10	6.56	4.32	3.14
Earnings per share after dilution, SEK		6.56	4.32	3.14
Number of shares before dilution, average, thousands		69,461	69,406	69,374
Number of shares after dilution, average, thousands		69,461	69,406	69,423
Proposed dividend, SEK		5.50	4.50	4.00

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

## The parent company's income statement

	Note	2011	2010	2009
Net sales		14.1	8.1	10.9
<b>Gross profit</b>		<b>14.1</b>	<b>8.1</b>	<b>10.9</b>
Administrative expenses		-22.4	-11.6	-14.3
<b>Operating profit</b>	5	<b>-8.4</b>	<b>-3.5</b>	<b>-3.4</b>
<i>Profit from financial investments</i>				
Profit from participations in group companies	23	657.7	327.2	306.4
Interest income and similar profit/loss items	24	4.0	66.9	132.7
Interest expenses and similar profit/loss items	25	-15.7	-22.3	-80.3
<b>Profit after financial items</b>		<b>637.6</b>	<b>368.2</b>	<b>355.4</b>
Difference between book depreciation and depreciation according to plan		-2.6	-	-
Provision to tax allocation reserve		-197.2	-92.8	-76.2
Reversal from tax allocation reserve		203.6	-	-
Tax	9	-155.6	-74.0	-76.6
<b>NET PROFIT FOR THE YEAR</b>		<b>485.8</b>	<b>201.4</b>	<b>202.6</b>

## Parent company statement of comprehensive income

	Note	2011	2010	2009
Net profit for the year		485.8	201.4	202.6
Other comprehensive income		0.0	0.0	0.0
Other comprehensive income for the year, net after tax		0.0	0.0	0.0
<b>Total comprehensive income for the year</b>		<b>485.8</b>	<b>201.4</b>	<b>202.6</b>

## Consolidated balance sheet

ASSETS	Note	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
<b>Non-current assets</b>				
Property, plant and equipment	5	68.8	51.7	42.9
Intangible assets	5	112.3	82.6	79.7
Other financial assets	14	5.6	7.1	8.3
<b>Total non-current assets</b>		<b>186.7</b>	<b>141.4</b>	<b>130.9</b>
<b>Current assets</b>				
Inventories	12	410.9	294.2	224.0
Trade receivables and other receivables	13	595.1	477.0	459.2
Derivative instruments	22	-	-	2.4
Cash and cash equivalents	15	425.0	366.3	301.8
<b>Total current assets</b>		<b>1,431.0</b>	<b>1,137.5</b>	<b>987.4</b>
<b>TOTAL ASSETS</b>		<b>1,617.8</b>	<b>1,278.9</b>	<b>1,118.3</b>

## The parent company's balance sheet

ASSETS	Note	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
<b>Non-current assets</b>				
<i>Intangible assets</i>				
Patents	5	14.2	-	-
<b>Total intangible assets</b>		<b>14.2</b>	<b>-</b>	<b>-</b>
<i>Financial assets</i>				
Participations in subsidiaries	26	0.7	0.7	0.7
Deferred tax receivables	11	-	-	0.8
Other financial assets		0.1	1.6	1.6
<b>Total financial assets</b>		<b>0.8</b>	<b>2.3</b>	<b>3.1</b>
<b>Total non-current assets</b>		<b>15.0</b>	<b>2.3</b>	<b>3.1</b>
<b>Current assets</b>				
<i>Receivables</i>				
Receivables from group companies		768.1	525.6	529.5
Tax receivables		1.0	-	-
Prepaid expenses and accrued income		1.6	0.8	0.6
<b>Total receivables</b>		<b>770.7</b>	<b>526.4</b>	<b>530.1</b>
<i>Cash and bank balances</i>				
Cash and bank balances	15	155.3	174.9	146.9
<b>Total cash and bank balances</b>		<b>155.3</b>	<b>174.9</b>	<b>146.9</b>
<b>Total current assets</b>		<b>926.0</b>	<b>701.3</b>	<b>677.0</b>
<b>TOTAL ASSETS</b>		<b>941.0</b>	<b>703.6</b>	<b>680.1</b>



## Consolidated balance sheet

EQUITY AND LIABILITIES	Note	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
<b>Equity</b>	16			
<i>Capital and reserves</i>				
Share capital		0.7	0.7	0.7
Share premium		279.2	279.2	275.0
Other reserves	17	-10.0	-8.3	-0.6
Retained earnings		498.7	355.6	333.3
<b>Total equity</b>		<b>768.6</b>	<b>627.2</b>	<b>608.4</b>
<b>Liabilities</b>				
<i>Non-current liabilities</i>				
Borrowing	18	-	1.0	0.1
Retirement benefit obligations	19	2.5	1.0	0.6
Deferred tax liabilities	11	74.3	74.3	49.6
Other provisions	20	25.0	16.6	11.4
<b>Total non-current liabilities</b>		<b>101.8</b>	<b>92.9</b>	<b>61.7</b>
<i>Current liabilities</i>				
Trade payables and other liabilities	21	658.7	537.1	425.4
Current tax liabilities		88.7	21.7	17.4
Derivative instruments	22	-	-	5.4
<b>Total current liabilities</b>		<b>747.4</b>	<b>558.8</b>	<b>448.2</b>
<b>Total liabilities</b>		<b>849.2</b>	<b>651.7</b>	<b>509.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,617.8</b>	<b>1,278.9</b>	<b>1,118.3</b>
<b>MEMORANDUM ITEMS</b>				
<i>Pledged assets</i>	27	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>	27	6.0	6.0	<i>NONE</i>

## The parent company's balance sheet

EQUITY AND LIABILITIES	Note	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
<b>Equity</b>	16			
<i>Restricted equity</i>				
Share capital		0.7	0.7	0.7
<b>Total restricted equity</b>		<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
<i>Non-restricted equity</i>				
Profit brought forward		6.5	117.6	188.4
Net profit for the year		485.8	201.4	202.6
<b>Total non-restricted equity</b>		<b>492.3</b>	<b>319.0</b>	<b>391.0</b>
<b>Total equity</b>		<b>493.0</b>	<b>319.7</b>	<b>391.7</b>
<b>Untaxed reserves</b>				
Tax allocation reserve		350.0	356.4	263.6
Accumulated additional depreciation		2.6	-	-
<b>Total untaxed reserves</b>		<b>352.6</b>	<b>356.4</b>	<b>263.6</b>
<b>Liabilities</b>				
<i>Current liabilities</i>				
Liabilities to group companies		1.1	1.0	1.1
Tax liabilities		90.5	24.9	18.7
Other liabilities		-	-	0.2
Accrued expenses and deferred income	22	3.8	1.6	4.8
<b>Total current liabilities</b>		<b>95.4</b>	<b>27.6</b>	<b>24.8</b>
<b>Total liabilities</b>		<b>95.4</b>	<b>27.6</b>	<b>24.8</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>941.0</b>	<b>703.6</b>	<b>680.1</b>
<b>MEMORANDUM ITEMS</b>				
<i>Pledged assets</i>	27	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>	27	27.4	<i>NONE</i>	0.2

## Consolidated statement of changes in equity

	Attributable to the parent company's shareholders				Total equity
	Share capital	Share premium	Other reserves	Retained earnings	
Opening balance as at January 1, 2009	0.7	275.0	-36.8	202.2	441.1
<b>Comprehensive income</b>					
Net profit for the year	-	-	-	217.8	217.8
<b>Other comprehensive income</b>					
Cash flow hedges, after tax	-	-	37.7	-	37.7
Net investment hedge, after tax	-	-	5.1	-	5.1
Exchange differences	-	-	-6.6	-	-6.6
Total other comprehensive income	-	-	36.2	-	36.2
<b>Total comprehensive income</b>	-	-	36.2	217.8	254.0
<b>Transactions with owners</b>					
New issue on exercise of options	0.0	0.0	-	-	0.0
Dividend in respect of 2008	-	-	-	-86.7	-86.7
<b>Total transactions with owners</b>	0.0	0.0	-	-86.7	-86.7
Closing balance as at December 31, 2009	0.7	275.0	-0.6	333.3	608.4
Opening balance as at January 1, 2010	0.7	275.0	-0.6	333.3	608.4
<b>Comprehensive income</b>					
Net profit for the year	-	-	-	299.8	299.8
<b>Other comprehensive income</b>					
Cash flow hedges, after tax	-	-	0.9	-	0.9
Net investment hedge, after tax	-	-	0.2	-	0.2
Exchange differences	-	-	-8.8	-	-8.8
Total other comprehensive income	-	-	-7.7	0.0	-7.7
<b>Total comprehensive income</b>	-	-	-7.7	299.8	292.1
<b>Transactions with owners</b>					
New issue on exercise of options	0.0	4.2	-	-	4.2
Dividend in respect of 2009	-	-	-	-277.5	-277.5
<b>Total transactions with owners</b>	0.0	4.2	-	-277.5	-273.3
Closing balance as at December 31, 2010	0.7	279.2	-8.3	355.6	627.2
Opening balance as at January 1, 2011	0.7	279.2	-8.3	355.6	627.2
<b>Comprehensive income</b>					
Net profit for the year	-	-	-	455.7	455.7
<b>Other comprehensive income</b>					
Exchange differences	-	-	-1.7	-	-1.7
Total other comprehensive income	0.0	0.0	-1.7	0.0	-1.7
<b>Total comprehensive income</b>	0.0	0.0	-1.7	455.7	454.0
<b>Transactions with owners</b>					
Dividend in respect of 2010	-	-	-	-312.6	-312.6
<b>Total transactions with owners</b>	-	-	-	-312.6	-312.6
Closing balance as at December 31, 2011	0.7	279.2	-10.0	498.7	768.6

## The parent company's change in equity

	Share capital	Share premium	Profit brought forward	Net profit for the year	Total equity
Equity at December 31, 2008	0.7	-	158.1	116.9	275.7
Reversal of net profit for the year	-	-	116.9	-116.9	-
New issue on exercise of options	0.0	0.0	-	-	0.0
Dividend	-	-	-86.6	-	-86.6
Net profit for the year	-	-	-	202.6	202.6
Equity at December 31, 2009	0.7	-	188.4	202.6	391.7
Reversal of net profit for the year	-	-	202.6	-202.6	-
New issue on exercise of options	0.0	4.1	-	-	4.1
Dividend	-	-	-277.5	-	-277.5
Net profit for the year	-	-	-	201.4	201.4
Equity at December 31, 2010	0.7	4.1	113.5	201.4	319.7
Reversal of net profit for the year	-	-	201.4	-201.4	-
Dividend	-	-	-312.6	-	-312.6
Net profit for the year	-	-	-	485.8	485.8
Equity at December 31, 2011	0.7	4.1	2.3	485.8	493.0

Number of shares as at December 31, 2011 totaled 69,461,250. The par value was SEK 0.01 per share.

At the annual general meeting on April 18, 2012, a dividend of SEK 5.50 per share in respect of 2011 will be proposed. During 2011, SEK 4.50 per share was paid in respect of the fiscal year 2010, and during 2010 SEK 4.00 per share was paid in respect of the fiscal year 2009.

## Consolidated statement of cash flows

	Note	2011	2010	2009
<i>Operating activities</i>				
Cash generated from operations	28	561.9	477.6	270.3
Interest paid		-2.2	-1.8	-0.7
Interest received		2.5	0.9	1.3
Taxes paid		-107.9	-85.3	-46.9
<b>Cash flows from operating activities</b>		<b>454.3</b>	<b>391.4</b>	<b>224.0</b>
<i>Investing activities</i>				
Acquisition of plant, property and equipment	5	-44.8	-33.2	-23.4
Acquisition of intangible assets	5	-38.7	-19.6	-37.7
Acquisition of subsidiaries and operations		-	-	-1.9
Reversed deposits		1.5	1.1	0.8
<b>Cash flows from investing activities</b>		<b>-82.0</b>	<b>-51.7</b>	<b>-62.2</b>
<i>Financing activities</i>				
New issue		-	4.2	0.0
Dividend paid		-312.6	-277.5	-86.7
Amortization of loans		-1.0	-	-0.3
Borrowing		-	1.0	-
Net effect of derivative instruments		-	-2.9	13.6
<b>Cash flows from financing activities</b>		<b>-313.6</b>	<b>-275.2</b>	<b>-73.4</b>
Cash flow for the year		58.7	64.5	88.4
Cash and cash equivalents at beginning of year		366.3	301.8	213.4
Change in cash and cash equivalents		58.7	64.5	88.4
<b>Cash and cash equivalents at end of year</b>	15	<b>425.0</b>	<b>366.3</b>	<b>301.8</b>

## The parent company's cash flow statement

	Note	2011	2010	2009
<i>Operating activities</i>				
Cash generated by operations	28	-3.1	-6.4	-276.0
Financial expenses paid		-15.7	-22.4	-80.3
Financial income received		4.0	66.9	132.7
Taxes paid		-91.0	-67.8	-26.7
<b>Cash flow from operating activities</b>		<b>-105.8</b>	<b>-29.7</b>	<b>-250.3</b>
<i>Investing activities</i>				
Acquisition of intangible assets		-16.6	-	-
<b>Cash flows from investing activities</b>		<b>-16.6</b>	<b>-</b>	<b>-</b>
<i>Financing activities</i>				
New issue		-	4.2	0.0
Dividend paid		-312.6	-277.5	-86.7
Group contribution received	23	600.3	327.3	314.6
Shareholders' contribution paid	23	-0.1	-0.1	-8.2
Adjustment for group contribution not affecting cash flow		-184.8	3.8	45.0
<b>Cash flow from financing activities</b>		<b>102.8</b>	<b>57.7</b>	<b>264.7</b>
Cash flow for the year		-19.6	28.0	14.4
Cash and cash equivalents at beginning of year		174.9	146.9	132.5
Change in cash and cash equivalents		-19.6	28.0	14.4
<b>Cash and cash equivalents at end of year</b>		<b>155.3</b>	<b>174.9</b>	<b>146.9</b>

## NOTES

### Note 1 General information

Axis is an IT company offering network video solutions for professional installations. The company is the global market leader in network video, driving the ongoing shift from analog to network video surveillance. Axis' products and solutions focus on security surveillance and remote monitoring and are based on innovative and open technology platforms. Axis is a Swedish company, which acts globally with its own employees in 37 countries and through collaboration with partners in more than 70 countries. The company was founded in 1984 and is listed on NASDAQ OMX Stockholm, under the ticker AXIS.

These financial statements were approved by the board of directors on February 1, 2012.

### Note 2 Accounting policies

#### 2.1 Basis of preparation

The consolidated financial statements for the Axis Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU, and also in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1. The most important accounting policies adopted in preparing the consolidated financial statements are set out below.

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

The financial statements of the parent company have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

#### 2.1.1 Changes in accounting policies and disclosures

##### *(a) New and amended standards adopted by the group*

As far as Axis is concerned, it is our view that there are no new or amended IFRS recommendations, which have had any material impact on the financial statements for 2011 or on the associated disclosures.

##### *(b) New and amended standards for the parent company*

From 2010, Axis has applied the revised standard RFR 2, where the parent company must now present a separate statement of comprehensive income.

##### *(c) Standards, amendments and interpretations of existing standards where the amendment has not yet become effective and has not been early adopted by the group*

Axis' assessment is that there are no material not yet effective new, amended or interpretations of existing standards that shall be early adopted. None of the IFRSs or IFRIC interpretations which have not yet become effective, are expected to have any material impact on the group.

#### 2.2 Consolidation

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

The purchase method is used for recognition of Axis' business combinations. The cost of

an acquisition of a subsidiary consists of the fair value of the assumed assets, liabilities and the shares issued by the group. The consideration also includes the fair value of all assets or liabilities which are a result of an agreement on contingent consideration. Costs related to the acquisition are expensed as they arise. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. For each acquisition, Axis determines if all non-controlling interests in the acquired entity are recognized at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The amount by which the consideration, any non-controlling interest and the fair value of previous shareholdings on the date of acquisition exceeds the fair value of the identifiable net assets acquired, is recognized as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets, in the event of a "bargain purchase", the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions and balance sheet items, as well as unrealized gains and losses on transactions between group companies, are eliminated. Where appropriate, the accounting policies of subsidiaries have been changed to ensure the consistent application of the group's principles

In the event of different measurements of assets and liabilities at group and company level, the tax effect is taken into account, and this is recognized as a long-term receivable or liability. No account, however, is taken of deferred tax on group goodwill.

#### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocation of resources and evaluation of the operating segments' results. In the group, this function has been identified as the group management.

#### 2.4 Foreign currency translation

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

Subsidiaries' assets and liabilities are translated at the closing rate at the end of each reporting period. Items in the income statement are translated at the exchange rate on the transaction date approximated to the average exchange rates. The translation difference is recognized in other comprehensive income.

During consolidation, exchange differences, which arose in consequence of the translation of net investment in foreign operations and of borrowings and other currency instruments which have been designated as hedges of such investments, are recognized in other comprehensive income. On divestment of a foreign operation, in part or entirely, the exchange differences recognized in equity are posted to the income statement and recognized as a part of the capital gain/loss.

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

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

#### 2.5 Inventories

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

#### 2.6 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If payment is expected within one year



or earlier, they are classified as current assets. If not, they are presented as non-current assets.

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

## 2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation using the straight-line method. Historical cost includes expenditure which can be directly attributable to the acquisition of the asset. Cost may also include transfers from equity of possible gains/losses on qualifying cash flow hedges relating to foreign currency purchases of property, plant and equipment. In the event that the carrying amount of an asset exceeds its estimated recoverable amount, the asset is immediately written down to its recoverable amount.

Depreciation is calculated using the straight-line method on the original cost and is based on the estimated useful lives of the assets as follows:

Plant and equipment 3–10 years

## 2.8 Intangible assets

### (a) Capitalized development work

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, which are likely to generate economic benefits (in excess of expenses) for more than three years, are recognized as intangible assets. Expenses which are closely associated with the production of software include personnel expenses for software development and a reasonable percentage of the attributable indirect expenses. Capitalized intangible assets are not subject to measurement at fair value. The development of new platforms is capitalized continuously over the development period, and is amortized on the basis of estimated useful life. Network applications based on these platforms, such as network cameras, print servers etc. are treated as adaptations of the core products. Adaptations of platforms for different network applications are not capitalized. Expenditure on research is charged to results in the period in which it is incurred.

### (b) Rights and patents

Own patents are not-capitalized but are charged to results when they arise. Acquired patents have a determinable useful life and therefore they are recognized at cost less accumulated depreciation.

### (c) Acquired web domains

A number of web domains were purchased that related to Axis' trademark in connection with the group starting operations in Mexico.

Depreciation is initiated when the asset is ready for use and is calculated on the original cost and is based on the on the estimated useful lives of the assets as follows;

Capitalized development work	3 years
Patent portfolio	7 years
Acquired web domains	3 years

In the event that the carrying amount of an asset exceeds its estimated recoverable amount, the asset is immediately written down to its recoverable amount.

## 2.9 Impairment of non-financial assets

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 amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). Capitalized development work is tested annually in respect of an impairment need before it is finally taken into use.

## 2.10 Cash and cash equivalents

Cash and cash equivalents include, in the balance sheet and in the cash flow state-

ment, cash in hand, deposits held at call with banks and other current investments with original maturities of three months or less. Measurement of other short-term investments takes place at amortized cost.

## 2.11 Financial instruments

Financial instruments are classified into the following categories: financial assets measured at fair value via the income statement, loan receivables and trade receivables, as well as financial instruments 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 reporting date. All financial instruments are recognized from the transaction date.

For accounting of derivatives refer to note 3.2.

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

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

### (b) Loan receivables and trade receivables

Loans receivables and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Characteristically, they arise when the group supplies money, goods or services direct to a customer without the intention of trading the resulting receivable. They are included in current assets, with the exception of items with maturities more than 12 months after the end of the reporting date, which are classified as non-current assets. Loans receivables and trade receivables are included in the item Trade receivables and other receivables in the balance sheet (see note 13 Trade receivables and other receivables).

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

## 2.12 Provisions

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

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

The provisions are measured at the present value of the amount that is expected to be required to settle the obligation.

## 2.13 Income taxes

Recognized tax expense includes tax payable or recoverable in respect of the current year, adjusted for prior years' tax as well as changes in deferred tax. All tax liabilities and tax assets are measured at their nominal amount in accordance with the tax laws and the tax rates enacted or announced and which there is a considerable degree of certainty will be enacted. For items recognized in the income statement, the associated tax consequences are recognized in the income statement. The tax consequences of items which are recognized directly against equity are recognized against equity. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities.

Deferred tax assets or deferred tax liabilities to the same tax authority are recognized net in the balance sheet. Deferred tax assets in respect of a loss carryforward are recognized to the extent that it is probable that the loss carryforward can be set off against a surplus for future taxation.

Untaxed reserves are recognized in the parent company. We have allocated the untaxed reserves between equity and deferred tax in the consolidated financial statements.

#### 2.14 Cash flow statement

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

#### 2.15 Leasing

Leases where a substantial part of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Axis Group only holds lease agreements for leases in premises. Payments made during the lease term are expensed in the income statement on a straight-line basis over the period of the lease.

#### 2.16 Revenue recognition

Net sales are recognized when the goods are delivered and accepted by the customer, i.e. when the material risks and benefits are transferred to the purchaser. Revenue is shown exclusive of value added tax, similar taxes and discounts and after eliminating sales within the group.

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

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

#### 2.17 Borrowing costs

All borrowing costs, apart from those related to a qualifying asset, are expensed continually as they arise. Borrowing related to qualifying assets is capitalized.

#### 2.18 Share-based payments

The Axis Group had one final outstanding stock option program that matured during the fiscal year 2010, which is equity-settled, for its employees in the US. In the case of the programs issued to employees in the US, the stock options were recognized as an expense equal to the fair value of the options as they were assigned to and earned by the employees during the term of the options. On the acquisition of stock options by employees, the funds received were transferred to other paid-up capital.

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

#### 2.19 Pensions

The Axis Group has pension obligations which are classified both as defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate legal entity. The group has no legal or constructive obligations to pay further contributions if this legal entity has insufficient assets to pay all remuneration to employees that is connected with the employees' service during current or prior periods. A defined benefit plan is a pension scheme that is not defined contribution. Characteristic for defined benefit plans is that they state the amount of the pension benefit an employee will receive after retirement, generally based on one or more factors such as age, period of service and salary.

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

are classified as defined contribution.

The retirement and family pension obligations in respect of white-collar employees 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 2011, the group did not have access to the information required to allow this plan to be reported as a defined benefit plan. The pension obligations are, therefore, recognized as a defined contribution plan.

#### 2.20 Critical estimates and assessments for accounting purposes

##### *Guarantees*

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

##### *Intangible assets*

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

### Note 3 Financial risk management

#### 3.1 Financial risk factors

Risk management is handled by a central treasury department in accordance with the policies adopted by the board of directors. The treasury department identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The board has drawn up written principles both for overall risk management and for specific areas, such as foreign exchange risk, interest risk, credit risk, the use of derivative and non-derivative financial instruments and the investment of excess liquidity.

Through its operations, Axis is exposed to a number of different financial risks: a) market risk (including foreign exchange risk, price risk and interest risk), b) credit risk and c) liquidity risk). The group's overall risk management policy focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

##### *(a) Market risk*

Axis' finance policy defines how foreign exchange risk should be minimized. Foreign exchange risk is divided into two main categories: a) Transaction risk and b) Translation risk. Transaction risk means the risk that fluctuations in exchange rates on the net cash flow in foreign currencies may have a negative impact on the group's results. Translation risk means the risk that exchange-rate fluctuations in the group's net investments in subsidiaries may have a negative impact on the group's results.

From January 1, 2010 the financial policy does not prescribe any hedging requirement. No hedging was conducted during the 2010 and 2011 fiscal years.

For the comparative year 2009, Transaction risk, under the finance policy, should be minimized through currency hedging of the next twelve months' expected net cash flow. Currency hedging for the next two months should take place within the range 80–100 percent of the exposure, and within the range 30–50 percent for the next 3–12 months. The finance policy states that a five-percent movement in the exchange rate in relation to the Swedish Krona should not affect results by more than SEK 1 M. Historical exchange rate flows are followed up monthly in arrears.

The translation risk in the Group's equity is affected among other things by exchange rate fluctuations on investments in subsidiaries. To minimize the risk of negative effects, the finance policy prescribes that 80–100 percent of the exposure should be hedged. Net investments were not hedged in the group during 2011 and 2010.

The value of forward contracts, currency swaps and currency options were calculated with the assistance of the applicable spot and forward rates at the end of the report-

ing period. A summary is presented below of cash flow hedges and hedges of net investment as at Dec 31, 2009.

Position Dec 31, 2009

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

Axis conducts a monthly effectiveness test to assess if the requirements for hedge accounting under IAS 39 are complied with. During 2011, all tests have shown that Axis lies within the allowed range.

Price risk arises when the group's costs rise as a result of our suppliers increasing the price of goods and services. By using several suppliers, we ensure that our purchasing prices are market competitive.

The board has defined interest risk as the risk that fluctuations in market interest rates have a negative impact on the group's net financial items. The finance policy states that the treasury department must minimize the interest expense as much as possible. The average interest rate refixing period for short-term financing must not exceed 6 months. Under the finance policy, the treasury department may deploy interest rate derivatives to ensure that interest rates are fixed on average for a maximum of 6 months. The interest risk for 2011 was marginal, since the credit facilities were utilized sporadically during the year.

Excess cash and cash equivalents are invested in fixed-interest securities with a maximum remaining term of one year, and an average term of no more than 6 months. At December 31, 2011, SEK 100 M (110) was invested in fixed-interest securities with a maximum term of three months (three months). The interest risk in the excess cash and cash equivalents is handled so that the average interest rate on all investments must not exceed 6 months.

#### Sensitivity analysis

The table below indicates the effect of the most important factors on Axis' results for the fiscal year 2011. Apart from currency exposure, the factors assessed as having the greatest effect on results are purchase prices and payroll expenses.

Factor	Change, %	Effect on operating profit, SEK M
Currency, SEK/USD	+/-5	+/- 36
Currency, SEK/EUR	+/-5	+/- 38
Procurement	+/-5	+/-64
Personnel	+/-5	+/-40

#### (b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Only independently rated banks and financial institutions that have obtained the long-term rating A or better, in accordance with Moody's or Standard & Poor's, are accepted as counterparties. The short-term rating must be Moody's P1 or Standard & Poor's K1 or A1. If customers have been credit assessed by independent raters, these assessments are used. In cases where no credit assessment exists, a risk assessment is performed of the customer's credit worthiness where their financial position is considered as well as previous experience and other factors. Individual risk limits are adopted on the basis of internal or external credit assessments in accordance with the limits established by the board. The use of credit limits is regularly monitored. Advance payments or letters of credit are employed when the risk is considered too high. Credit risk insurance was taken out in 2011 for some of our customers. These insurance policies were not utilized during 2011.

For risk assessment of trade 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 SEK 200 M in cash and cash equivalents or unutilized credit facilities. On December 31, 2011, Axis had SEK 425 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 200 M, compared with SEK 366 M and SEK 200 M respectively on December 31, 2010. The interest rate on unutilized credit facilities was determined on December 31, 2011 on the basis of the changes in STIBOR.

The unutilized credit facilities of SEK 200 M applied up to and including December 31, 2011. The amount has subsequently increased to SEK 500 M and runs subject to a 3-year term of agreement.

The credit facilities are contingent on special requirements of the banks. These requirements state that: a) the interest coverage ratio (profit after financial income and expense, increased by external interest expenses) in relation to external interest expenses measured every end of quarter as a rolling twelve-month value does not fall below 4; b) Net Debt/EBITDA (interest bearing liabilities less cash and bank balances and other short-term investments in relation to profit before net financial items, taxes, depreciation and impairments of non-current assets) measured every end of quarter as a rolling twelve-month value does not exceed 2. During 2011, 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

When Axis holds derivative financial instruments, primarily currency futures, it is with the aim of protecting sales and procurement 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 of hedged items. Should a hedging measure prove ineffective, recognition immediately takes place via the income statement (Other income and changes in value). Information on the fair value of different derivative instruments used for hedging purposes is provided in note 22. Changes in the hedging reserve in equity are shown in note 17.

#### (a) Fair value hedge

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

#### (b) Cash flow hedge

From fiscal year 2010, Axis has amended the finance policy to only hedge projects in excess of a countervalue of EUR 2 million and with a delivery date which is at least 2 months in the future from when the receipt of the order can be secured. No new cash flow hedges were entered into during 2011. When Axis holds derivative financial instruments, primarily currency futures, it is for the purpose of protecting sales and procurement in foreign currencies. Changes in the fair value of derivative instruments which are identified as cash flow hedges, and which fulfill the requirements for hedge accounting, are recognized in comprehensive income (and in equity). Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss (Other income and changes in value).

#### (c) Net investment hedge

From fiscal year 2010, Axis has amended the finance policy to not hedge net investment in foreign subsidiaries. The outcome of previously entered into hedges remains in equity. Previous years' hedges of net investment in foreign operations have been 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 have been recognized

in equity, gains or losses attributable to the ineffective part have been immediately recognized in the income statement. Accumulated gains and losses in equity are recognized in the income statement when the foreign operation is sold. In measuring the fair value of the hedge, the valuation effects from changes in foreign exchange rates are taken to equity, and the interest component is taken to the income statement. No new hedges of net investment were entered into during 2011.

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

### 3.3 Fair value estimation

The fair value of financial instruments which are traded on an active market, such as derivative instruments quoted on a market, is based on quoted market prices at the end of the reporting period. The current purchase price is listed as the market price for Axis' financial assets, and the current selling price is used as the listed market price for financial liabilities.

The fair value of financial instruments which are not traded on an active market is determined using valuation techniques. Axis uses a number of different methods, and makes assumptions based on the prevailing market conditions at the end of the reporting period. Other techniques, such as discounted cash flow measurements, are used to determine the fair value of the remaining financial instruments. The fair value of currency future contracts is determined through the use of market prices for currency futures at the end of the reporting period.

The nominal value, reduced by any expected credits, of trade receivables and trade payables is assumed to equal their fair value. The fair value of financial liabilities is measured, for disclosure in notes, by discounting the future contracted cash flow at the current market interest rate available for the group for similar financial instruments.

The group applies the amendment of IFRS 7 for financial instruments, which are measured at fair value in the balance sheet from and including January 1, 2009. Thus disclosures are required of fair value measurements by level in the following fair value measurement hierarchy: a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1); b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

### 3.4 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the group may adjust the amount of dividends paid to the shareholders, issue new shares or sell assets, reduce or increase indebtedness.

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

## Note 4 Segment information

The group management has been identified as Axis' chief operating decision-maker. Operating segments have been determined based on the information that is considered by the group management and which is used as a basis for allocating resources and evaluating results. Axis' group management controls, manages and monitors the operations according to geographical regions; EMEA, North and South America and Asia, with sales growth as the main focus. In light of what is stated below, Axis considers that it fulfills the requirements for aggregation of the three geographic regions into one segment, Network video.

The group's common technology platform is the foundation for the entire innovative and broad product portfolio. Continuous global sales forecasts are compiled of a separate production planning function located at the headquarters in Lund. A central purchasing department is responsible for sourcing of critical components and procurement and placing of production among contract manufacturers around the world. The very close cooperation with contract manufacturers creates a good insight into manufacturing and quality assurance processes. Production takes place in essentially the same way at all manufacturers.

Axis has an indirect sales model, which means that sales take place via distributors that sell on to system integrators that in turn sell to the end users. The ambition is first to work with a small number of distributors in each country, and then achieve scalability in the second stage through a very large number of system integrators. The number of system integrators currently identified by Axis amounts to 45,000. The sales model is identical and is applied in the same way throughout the world. Sales are monitored and analyzed in a company-wide CRM system. Distribution occurs through a small number of logistics centers placed in logistically suitable locations around the world.

Legal requirements in the form of local rules and regulations exist but are not deemed to impact the group appreciably. Stricter legal requirements from public authorities in specific areas can imply new business opportunities and may sometimes also limit the possibility of operating in just that local market. Through a central development department it is possible, when required, to rapidly adapt specific products to new demands.

Through a uniform global approach regarding product development and sales model, the three geographical regions lack real significance. From a group and network video perspective, they have a similar economic basis. The network video market is driven by an underlying global technology shift from analog to digital technology, among other things. Nor do growth opportunities, margins and risks differ significantly between the three segments.

In light of the above reasoning, Axis only recognizes one segment. Accordingly, the segment information consists of the group as a whole.

Net sales per geographical market	2011	2010	2009
EMEA (Europe, Africa, Middle East)	1,479.3	1,259.6	1,001.1
North & South America	1,739.6	1,373.0	1,085.4
Asia	358.7	300.4	214.2
	3,577.6	2,933.0	2,300.7

## Note 5 Non-current assets

2009	Plant & equipment	Improvement measures in leased properties	Total	Capitalized development	Rights/ web domains	Total
<b>Accumulated acquisition value</b>						
Balance brought forward as at January 1, 2009	133.7	-	133.7	112.4	20.7	133.1
Investments	23.5	-	23.5	37.7	-	37.7
Sales/disposals	-1.7	-	-1.7	-	-	-
Translation differences	-2.1	-	-2.1	-	-	-
<b>Balance carried forward as at December 31, 2009</b>	<b>153.4</b>	<b>-</b>	<b>153.4</b>	<b>150.1</b>	<b>20.7</b>	<b>170.8</b>
<b>Accumulated depreciation</b>						
Balance brought forward as at January 1, 2009	-94.8	-	-94.8	-52.2	-19.5	-71.7
Depreciation/amortization	-19.4	-	-19.4	-18.2	-1.2	-19.4
Sales/disposals	1.7	-	1.7	-	-	-
Translation differences	2.0	-	2.0	-	-	-
<b>Balance carried forward as at December 31, 2009</b>	<b>-110.5</b>	<b>-</b>	<b>-110.5</b>	<b>-70.4</b>	<b>-20.7</b>	<b>-91.1</b>
<b>Net carrying amount</b>	<b>42.9</b>		<b>42.9</b>	<b>79.7</b>	<b>0.0</b>	<b>79.7</b>
<hr/>						
2010	Plant & equipment	Improvement measures in leased properties	Total	Capitalized development	Rights/ web domains	Total
<b>Accumulated acquisition value</b>						
Balance brought forward as at January 1, 2010	153.4	-	153.4	150.1	20.7	170.8
Investments	33.2	-	33.2	19.6	-	19.6
Sales/disposals	-1.3	-	-1.3	-	-	-
Translation differences	-1.5	-	-1.5	-	-	-
<b>Balance carried forward as at December 31, 2010</b>	<b>183.8</b>	<b>-</b>	<b>183.8</b>	<b>169.7</b>	<b>20.7</b>	<b>190.4</b>
<b>Accumulated depreciation</b>						
Balance brought forward as at January 1, 2010	-110.5	-	-110.5	-70.4	-20.7	-91.1
Depreciation/amortization	-24.4	-	-24.4	-16.7	-	-16.7
Sales/disposals	1.4	-	1.4	-	-	-
Translation differences	1.4	-	1.4	-	-	-
<b>Balance carried forward as at December 31, 2010</b>	<b>-132.1</b>	<b>-</b>	<b>-132.1</b>	<b>-87.1</b>	<b>-20.7</b>	<b>-107.8</b>
<b>Net carrying amount</b>	<b>51.7</b>		<b>51.7</b>	<b>82.6</b>	<b>0.0</b>	<b>82.6</b>
<hr/>						
2011	Plant & equipment	Improvement measures in leased properties	Total	Capitalized development	Rights/ web domains	Total
<b>Accumulated acquisition value</b>						
Balance brought forward as at January 1, 2011	183.8	-	183.8	169.7	20.7	190.4
Investments	38.7	5.5	44.2	19.2	19.5	38.7
Sales/disposals	-3.9	-	-3.9	-	-	-
Translation differences	0.9	0.3	1.2	-	-	-
<b>Balance carried forward as at December 31, 2011</b>	<b>219.5</b>	<b>5.8</b>	<b>225.3</b>	<b>188.9</b>	<b>40.2</b>	<b>229.1</b>
<b>Accumulated depreciation</b>						
Balance brought forward as at January 1, 2011	-132.1	-	-132.1	-87.1	-20.7	-107.8
Depreciation/amortization	-27.5	-	-27.5	-5.7	-3.3	-9.0
Sales/disposals	3.6	-	3.6	-	-	-
Translation differences	-0.5	-	-0.5	-	-	-
<b>Balance carried forward as at December 31, 2011</b>	<b>-156.5</b>	<b>-</b>	<b>-156.5</b>	<b>-92.8</b>	<b>-24.0</b>	<b>-116.8</b>
<b>Net carrying amount</b>	<b>63.0</b>	<b>5.8</b>	<b>68.8</b>	<b>96.1</b>	<b>16.2</b>	<b>112.3</b>

Depreciation/amortization is charged to sales and marketing expenses, administrative- and research and development expenses in the income statement.



## Parent company – intangible assets

2009	Rights	Total
<b>Accumulated acquisition value</b>		
Balance brought forward as at January 1, 2009	3.1	3.1
Investments	-	-
<b>Balance carried forward as at December 31, 2009</b>	<b>3.1</b>	<b>3.1</b>
<b>Accumulated depreciation/amortization</b>		
Balance brought forward as at January 1, 2009	-3.1	-3.1
Depreciation/amortization	-	-
<b>Balance carried forward as at December 31, 2009</b>	<b>-3.1</b>	<b>-3.1</b>
<b>Net carrying amount</b>	<b>0.0</b>	<b>0.0</b>

2010	Rights	Total
<b>Accumulated acquisition value</b>		
Balance brought forward as at January 1, 2010	3.1	3.1
Investments	-	-
<b>Balance carried forward as at December 31, 2010</b>	<b>3.1</b>	<b>3.1</b>
<b>Accumulated depreciation/amortization</b>		
Balance brought forward as at January 1, 2010	-3.1	-3.1
Depreciation/amortization	-	-
<b>Balance carried forward as at December 31, 2010</b>	<b>-3.1</b>	<b>-3.1</b>
<b>Net carrying amount</b>	<b>0.0</b>	<b>0.0</b>

2011	Rights	Total
<b>Accumulated acquisition value</b>		
Balance brought forward as at January 1, 2011	3.1	3.1
Investments	16.6	16.6
<b>Balance carried forward as at December 31, 2011</b>	<b>19.7</b>	<b>19.7</b>
<b>Accumulated depreciation/amortization</b>		
Balance brought forward as at January 1, 2011	-3.1	-3.1
Depreciation/amortization	-2.4	-2.4
<b>Balance carried forward as at December 31, 2011</b>	<b>-5.5</b>	<b>-5.5</b>
<b>Net carrying amount</b>	<b>14.2</b>	<b>14.2</b>

## Note 6 Costs allocated by type of cost

	2011	2010	2009
Depreciation and impairment (Note 5)	-36.5	-41.1	-38.8
Expenses for remuneration to employees (note 19)	-705.2	-647.5	-481.9
Cost of purchasing and handling goods for resale	-1,750.1	-1,446.7	-1,064.5
Operating lease costs (rent)	-58.5	-52.4	-45.4
Other external costs	-417.7	-308.0	-312.9
	<b>-2,968.0</b>	<b>-2,495.7</b>	<b>-1,943.5</b>

## Note 7 Audit fees

	Group		
	2011	2010	2009
<b>PwC</b>			
The audit assignment	1.2	1.0	1.2
Audit work apart from the audit assignment	0.5	0.1	0.1
Tax consultancy	1.4	0.5	0.4
Other services	0.1	0.1	0.5
	<b>3.2</b>	<b>1.7</b>	<b>2.2</b>
<b>Other auditors</b>			
The audit assignment	1.4	1.3	1.6
Audit work apart from the audit assignment	0.0	0.0	0.0
Tax consultancy	0.3	0.1	0.3
Other services	0.5	0.7	1.3
	<b>2.2</b>	<b>2.1</b>	<b>3.2</b>
<b>Group total</b>	<b>5.4</b>	<b>3.8</b>	<b>5.4</b>

The audit fees and other fees to the parent company's auditors have been charged in their entirety to the subsidiary, Axis Communications AB.

## Note 8 Other income and changes in value

	Group		
	2011	2010	2009
Financial assets measured at fair value	-	-	2.4
Derivative instruments	-	19.8	-26.7
Exchange rate differences	17.5	-43.0	-26.8
Interest income	2.2	0.9	1.9
	<b>19.7</b>	<b>-22.3</b>	<b>-49.2</b>

## Note 9 Income taxes

	Group			Parent Company		
	2011	2010	2009	2011	2010	2009
Current tax	-174.9	-89.5	-78.2	-155.6	-73.2	-60.1
Deferred tax	-0.4	-23.5	-10.7	-	-0.8	-16.4
	<b>-175.3</b>	<b>-113.0</b>	<b>-88.9</b>	<b>-155.6</b>	<b>-74.0</b>	<b>-76.5</b>
Recognized profit before tax	631.0	412.8	306.7	641.4	275.4	279.2
Theoretical tax (26.3 percent)	-166.0	-108.6	-80.7	-168.7	-72.4	-73.4
Recognized tax	-175.3	-113.0	-88.9	-155.6	-74.0	-76.5
Difference between theoretical and recognized tax	-9.3	-4.4	-8.2	13.1	-1.6	-3.1
<i>Due</i>						
Non-deductible expenses	-6.0	-4.6	-3.6	-2.0	-1.6	-3.2
Differences in tax rates	-5.6	-2.0	-4.6	-	-	-
Adjustment of previous year's tax	-	-	0.0	-	-	-
<i>Deductible</i>						
Non-taxable income	2.3	2.2	0.0	15.1	-	0.1
	<b>-9.3</b>	<b>-4.4</b>	<b>-8.2</b>	<b>13.1</b>	<b>-1.6</b>	<b>-3.1</b>

The current tax rate for 2011 is 26.3 percent. The tax rate was also 26.3 percent for the two comparative years.

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

	2011			2010			2009		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Cash flow hedges	-	-	-	1.2	-0.3	0.9	51.2	-13.5	37.7
Net investment hedge	-	-	-	0.3	-0.1	0.2	6.9	-1.8	5.1
Exchange differences	-1.7	-	-1.7	-8.8	-	-8.8	-6.6	-	-6.6
<b>Other comprehensive income</b>	<b>-1.7</b>	<b>-</b>	<b>-1.7</b>	<b>-7.3</b>	<b>-0.4</b>	<b>-7.7</b>	<b>51.5</b>	<b>-15.3</b>	<b>36.2</b>
Deferred tax (note 11)	-	-	-	-	-0.4	-0.4	-	-	-15.3
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-</b>	<b>-</b>	<b>-15.3</b>

## Note 10 Earnings per share

### Earnings per share before dilution

Earnings per share before dilution is calculated by dividing the profit/loss attributable to the parent company's shareholders by a weighted average of the number of outstanding ordinary shares during the period.

	Parent Company		
	2011	2010	2009
Earnings attributable to the parent company's shareholders	455.7	299.8	217.8
Weighted average number of outstanding ordinary shares, thousands	69,461	69,406	69,374
Earnings per share before dilution, SEK	6.56	4.32	3.14

### Earnings per share after dilution

In calculating earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilutive effect of all potential ordinary shares. The parent company has, on a number of occasions, issued stock option programs for employees, and these constitute the only potential dilutive effect. For the stock options, a measurement is made of the number of shares which could have been purchased at fair value (measured as the average market price of the parent company's shares during the year), for an amount equivalent to the monetary value of the subscription rights linked to the outstanding stock options. The number of shares as measured in accordance with the above is compared with the number of shares which would have been issued on the assumption that the stock options were exercised. There were no outstanding stock option programs at the end of 2010 or 2011.

	Parent Company		
	2011	2010	2009
Earnings attributable to the parent company's shareholders	455.7	299.8	217.8
Weighted average number of outstanding ordinary shares, thousands	69,461	69,406	69,374
Potential dilutive effect of outstanding stock options	-	-	49
Weighted average number of outstanding ordinary shares after dilution, thousands	69,461	69,406	69,423
Earnings per share after dilution, SEK	6.56	4.32	3.14

## Note 11 Deferred tax

The group's and the parent company's temporary differences have resulted in deferred tax assets and deferred tax liabilities in respect of the following items:

	Group			Parent Company		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
<i>Deferred tax assets</i> <sup>1)</sup>						
Property, plant and equipment and intangible assets	1.0	3.7	2.6	-	-	-
Financial instruments	2.7	2.7	3.1	-	-	0.8
Inventories	5.2	6.2	3.3	-	-	-
Accumulated loss carryforwards <sup>2)</sup>	-	-	1.5	-	-	-
Other items	8.9	6.8	9.2	-	-	-
	17.8	19.4	19.7	-	-	0.8
<i>Deferred tax liabilities</i>						
Tax allocation reserve	92.1	93.7	69.3	-	-	-
	92.1	93.7	69.3	-	-	-
Deferred tax assets/tax liabilities <sup>3)</sup>	-74.3	-74.3	-49.6	-	-	0.8

	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Opening deferred tax assets/liabilities <sup>3)</sup>	-74.3	-49.6	-23.0
Change during the year in:			
- property, plant and equipment and intangible assets	-2.7	1.1	1.8
- financial instruments	-	-0.4	-16.4
- inventories	-1.0	2.9	0.8
- accumulated loss carryforwards	-	-1.5	0.1
- other items	2.1	-2.4	7.1
- tax allocation reserve	1.6	-24.4	-20.0
Closing deferred tax assets/tax liabilities	-74.3	-74.3	-49.6

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

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

<sup>3)</sup> The amount includes SEK 0 M (2010: SEK -0.4 M, 2009: SEK -15.3 M) which refers to income tax attributable to components in other comprehensive income (note 9).

## Note 12 Inventories

	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Goods for resale	410.9	294.2	224.0
	410.9	294.2	224.0

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 12.6 M (2010: SEK 16.5 M, 2009: SEK 7.4 M).

## Note 13 Trade receivables and other receivables

	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Trade receivables	541.6	427.3	408.8
Of which contract manufacturers <sup>1)</sup>	65.2	40.2	52.9
Provision for impairment of trade receivables	-5.2	-6.4	-5.9
Trade receivables - net	536.4	420.9	402.8
Other receivables	23.7	23.6	35.9
Prepaid expenses and accrued income	35.0	32.6	20.4
	595.1	477.0	459.2

<sup>1)</sup> Contract manufacturers refers to invoices issued to subcontractors when products are sent for reprocessing.

Changes in the provision for doubtful debts are as follows:

	2011	2010	2009
As at January 1	6.4	5.9	6.6
Provision for doubtful debts	0.6	1.2	0.8
Receivables written off during the year that are not recoverable	-0.1	-0.2	-1.4
Reversed unutilized amount	-1.8	-0.4	-0.1
As at December 31	5.2	6.4	5.9

Age distribution of trade receivables:

	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Not due	457.0	399.9	338.6
Of which reserved	-	-	-
Due for up to 3 months <sup>1)</sup>	84.6	27.4	65.1
Of which reserved	-5.2	-6.4	-0.9
Due over 3 months	0.0	0.0	5.0
Of which reserved	-	-	-5.0
	536.4	420.9	402.8

The verified customer losses during 2011 totaled SEK 0.1 M (2010: SEK 0.2 M, 2009: SEK 1.4 M). Credit risk insurance was taken out for a number of our customers in 2011.

<sup>1)</sup> Of invoices for 2011 due for up to 3 months, SEK 45.6 M fell due during the week prior to the reporting date.

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

Risk Range	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Lowest risk	107.2	91.0	128.8
Low risk	128.5	82.3	103.1
Medium risk	220.4	172.8	122.2
High risk	0.5	11.7	0.9
Highest risk	20.4	6.8	5.8
Unclassified	58.3	61.7	47.2
No Dun & Bradstreet data	6.3	1.0	0.6
Total	541.6	427.3	408.8

## Note 14 Other financial assets

	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Aptilo Networks AB <sup>1)</sup>	-	1.6	1.6
Other	5.6	5.5	6.7
	5.6	7.1	8.3

<sup>1)</sup> Aptilo was sold during 2011. The shares were measured according to level 3 in the fair value hierarchy (IFRS 7).

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

## Note 15 Cash and cash equivalents

	Group			Parent Company		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Cash and bank balances	325.0	256.3	261.8	55.3	64.9	106.9
Short-term bank investments	100.0	110.0	40.0	100.0	110.0	40.0
	425.0	366.3	301.8	155.3	174.9	146.9

Credit rating of cash and cash equivalents:

	Group					
	Dec 31, 2011	Rating 2011	Dec 31, 2010	Rating 2010	Dec 31, 2009	Rating 2009
Danske Bank	50.1	A	60.4	A	20.0	A
HSBC	27.5	AA-	31.7	AA	29.8	AA
Nordea	342.2	AA-	262.1	AA-	251.9	AA-
Skandinaviska Enskilda Banken	-	A+	3.4	A	-	A
Svenska Handelsbanken	0.1	AA-	0.1	AA-	-	AA-
Others	5.1	N/A	8.6	N/A	0.1	N/A
	425.0		366.3		301.8	

The effective rate of interest for short-term bank investments was 3.37 % (2010: 1.9 %, 2009: 0.9 %). These investments have an average due date of 89 days (2010: 89 days, 2009: 88 days). Axis has an unutilized credit facility of SEK 200 M (2010: SEK 200 M, 2009: SEK 200 M).

## Note 16 Employee stock option program

Axis AB had no outstanding stock option programs in 2011 and had no outstanding stock option programs at the end of 2010. During 2010, the final stock option program expired, which covered employees in the US. The program was introduced in 2001, and was aimed at all employees in the Axis Group. The scheme was aimed at encouraging long-term commitment on the part of employees to the group's operational and profit growth. Employees in the US, were offered the American equivalent, "Stock options".

In the US program, an option could be exercised for new issue of shares after the date on which the option was received by the employee. Allocation took 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.

The exercise price per share was equivalent to 130 percent of the average for each trading day of the volume-weighted mean of the prices quoted during the day according to the NASDAQ OMX Nordic, Mid Cap, Information Technology official price list for shares in the company measured over a period of five trading days. The stock options could be assigned and did not lapse if the employee left the company. The stock options could 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 were fully exercised. Allocation of shares through the exercise of options took the form of newly-issued shares.

Recipients	Expiry date	Exercise price	Acquisition price	Funds received	Number of options		Number of options		Number of shares	Full dilution
					Dec 31, 2010	exercised	Dec 31, 2011			
Employees in the US	30 Sep, 2010	48.00	15.50	2,669,875	154,850	85,550	-	-	-	-
				2,669,875	154,850	85,550	-	-	-	-

The premiums paid to the parent company for the stock options amounted in total to SEK 12.5 M. 85,550 stock options were exercised during the fiscal year 2010. No events have taken place during 2011.

Non-assigned options were eliminated against equity in the group.

The company's share capital consists of 69,461,250 (2010: 69,461,250, 2009: 69,375,700) shares of the same type and class with a par value of SEK 0.01. The share's quota value amounts to SEK 0.01. The company's legal form is a public joint stock corporation. The country of registration is Sweden, and the registered office is in Lund. The main place of business is Lund.

## Note 17 Other reserves in Equity

	Hedging reserve	Translation reserve	Total
Balance brought forward as at January 1, 2009	-52.4	15.6	-36.8
Cash flow hedges	51.2	-	51.2
Hedging of net investment, equity hedge	6.9	-	6.9
Tax relating to cash flow hedges	-13.5	-	-13.5
Tax relating to the hedging of net investment, equity hedge	-1.8	-	-1.8
Translation differences	-	-6.6	-6.6
Balance carried forward as at December 31, 2009	-9.6	9.0	-0.6
Balance brought forward as at January 1, 2010	-9.6	9.0	-0.6
Cash flow hedges	1.2	-	1.2
Hedging of net investment, equity hedge	0.3	-	0.3
Tax relating to cash flow hedges	-0.3	-	-0.3
Tax relating to the hedging of net investment, equity hedge	-0.1	-	-0.1
Translation differences	-	-8.8	-8.8
Balance carried forward as at December 31, 2010	-8.5	0.2	-8.3
Balance brought forward as at January 1, 2011	-8.5	0.2	-8.3
Translation differences	-	-1.7	-1.7
Balance carried forward as at December 31, 2011	-8.5	-1.5	-10.0

The amount in respect of cash flow hedges which has been transferred from equity to the income statement during the year is recognized net after tax and totaled SEK 0 M (2010: SEK 0.9 M, 2009: SEK 36.9 M).

## Note 18 Borrowing

	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Long-term portion	-	1.0	0.1
	-	1.0	0.1

## Note 19 Personnel

Distribution of the average number of employees:

	Women			Men			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Parent Company	-	-	-	-	-	-	-	-	-
Australia	-	1	1	6	5	3	6	6	4
Brazil	11	5	4	8	8	7	19	13	11
Chile	1	1	-	-	-	-	1	1	-
Denmark	-	-	-	-	1	1	-	1	1
Dubai	2	2	2	6	5	4	8	7	6
France	12	11	10	11	11	9	23	22	19
Hong Kong	5	3	2	4	6	5	9	9	7
India	2	1	1	6	6	5	8	7	6
Italy	4	3	2	12	10	10	16	13	12
Japan	4	7	7	9	4	8	13	11	15
Canada	3	2	-	5	4	-	8	6	-
China	8	5	4	25	15	15	33	20	19
Korea	2	-	1	5	5	4	7	5	5
Malaysia	1	-	-	2	-	-	3	-	-
Mexico	3	-	-	6	-	-	9	-	-
Netherlands	1	1	1	10	7	4	11	8	5
Russia	1	1	1	7	4	3	8	5	4
Singapore	11	9	9	10	8	6	21	17	15
Spain	2	2	2	11	9	8	13	11	10
UK	2	3	4	12	10	9	14	13	13
Sweden	163	131	120	516	401	366	679	532	486
South Africa	3	2	3	7	6	6	10	8	9
Taiwan	2	2	2	3	2	10	5	4	12
Czech Republic	-	-	-	1	-	-	1	-	-
Turkey	-	-	-	1	-	-	1	-	-
Germany	8	8	9	15	14	14	23	22	23
US	26	28	28	87	79	54	113	107	82
Group total	277	228	213	785	620	551	1 062	848	764

Salaries and remuneration totaled:

	Board & CEO			Others			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	7.5	8.2	4.5	529.7	483.5	361.2	537.2	491.7	365.7
Group total	7.5	8.2	4.5	529.7	483.5	361.2	537.2	491.7	365.7

Salaries and remuneration to the Board of Directors and the President and CEO were paid through the subsidiary company, Axis Communications AB. Five of the board members and the President and CEO are men (five of the board members and the President and CEO were men in 2010 and in 2009, four were men). The table above does not include directors' fees.

	Salaries and remuneration			Social security contributions			(of which pension expenses)		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	537.2	491.7	365.7	168.0	155.8	116.2	41.9	40.3	31.3
Group total	537.2	491.7	365.7	168.0	155.8	116.2	41.9	40.3	31.3

## Remuneration to the board of directors

	Group		
	2011	2010	2009
Directors' fees	1.2	1.2	1.0
	1.2	1.2	1.0

## 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 board member who is not an employee of the Axis Group. No directors' fees are payable to board members who are employees of the Axis Group. No special fee is payable for committee work.

Remuneration to the President and CEO and other senior executives consists of basic salary, variable remuneration and pension. The term other senior executives refers to the 7 people (2010: 7, 2009: 7) who, along with the President and CEO, constitute the Group Management.

The apportionment between basic salary and bonus will be proportionate to the executive's responsibility and authority. During the 2011 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 bonus amount was maximized to 80 percent of an annual salary. For the 2012 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 2011 fiscal year have been charged with SEK 4.3 M in bonus for the President and CEO and SEK 5.1 M in total for the other senior executives. Of the seven senior executives (2010: 7, 2009: 7) five are men (2010: 5, 2009: 5) and two are women (2010: 2, 2009: 2).

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

2009	Basic salary/	Bonus	Other benefits	Pension expense	Other remuneration	Total
	Fees					
Lars-Erik Nilsson (Chairman of the Board)	0.4	-	-	-	-	0.4
Charlotta Falvin	0.2	-	-	-	-	0.2
Olle Isberg	0.2	-	-	-	-	0.2
Göran Jansson	0.2	-	-	-	-	0.2
Martin Gren (employed by Axis)	1.0	0.0	-	0.2	0.0	1.2
Ray Mauritsson (President & CEO)	2.1	1.4	0.0	1.4	0.0	4.9
Other senior executives (7)	8.9	1.5	0.0	2.2	0.1	12.7
	13.0	2.9	0.0	3.8	0.1	19.8

2010	Basic salary/	Bonus	Other benefits	Pension expense	Other remuneration	Total
	Fees					
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
Roland Vejdemo	0.2	-	-	-	-	0.2
Martin Gren (employed by Axis)	0.9	-	0.0	0.2	-	1.2
Ray Mauritsson (President & CEO)	2.2	5.1	0.0	2.6	-	9.9
Other senior executives (7)	8.2	5.4	0.0	2.8	-	16.4
	12.5	10.5	0.0	5.7	-	28.7

2011	Basic salary/	Bonus	Other benefits	Pension expense	Other remuneration	Total
	Fees					
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
Roland Vejdemo	0.2	-	-	-	-	0.2
Martin Gren (employed by Axis)	0.9	0.1	0.0	0.2	-	1.2
Ray Mauritsson (President & CEO)	2.2	4.3	0.0	2.4	-	8.9
Other senior executives (7)	8.3	5.1	0.0	2.0	-	15.4
	12.6	9.5	0.0	4.7	-	26.8

The bonus shown in the tables refers to the bonus that relates to the current fiscal year and which is disbursed during the next fiscal year. Bonus for fiscal year 2011 will be disbursed during 2012. Bonus of SEK 5.1 M (2010: SEK 1.4 M) for fiscal year 2010 was disbursed to the President and CEO during 2011 and a total of SEK 5.4 M (2010: SEK 1.5 M) to the 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. The pension insurance premium shall amount to 35 percent of the pensionable salary up to a maximum of 28.5 basic amounts. For salary in excess of 28.5 basic amounts, a premium of 25 percent is paid.

## 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 employees 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 2011, the group did 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 33.3 M (2010: SEK 33.5 M, 2009: SEK 27.7 M) during the year. Alecta's surplus may be allocated to the policyholders and/or the beneficiaries. At the end of 2011, Alecta's surplus in the form of the collective consolidation level amounted to 146 percent (2010: 134 percent, 2009: 141 percent). The collective consolidation level is calculated as the market value of Alecta's asset portfolio in relation to insurance obligations according to actuarial assumptions set by Alecta, which do not comply with IAS 19.

	Group		
	2011	2010	2009
Costs for defined contribution plans	33.3	33.5	27.7
Cost of special employer's contribution	7.8	6.2	5.8
	41.1	39.7	33.5

## Termination benefits

In the event of termination of employment of the President and CEO, a mutual period of notice of 6 months applies. If notice of termination is given by the company, termination benefits equivalent to 12 cash monthly salaries are payable. The termination benefits are not set off against other income. In the event that the President gives notice, no termination benefits will be payable.

A mutual period of notice of three to six months applies between the company and the other senior executives. If notice of termination is given by the company, termina-

tion benefits corresponding to six cash monthly salaries are payable to certain senior executives, whereas other senior executives are not entitled to termination benefits. In the event of termination by any of the senior executives, no termination benefits will be payable.

#### Change in control clause

No agreements exist, with the exception of employment contracts, the essential contents of which have been commented upon above, between the company and the directors or employees 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 2011 was determined by the board on the basis of the remuneration committee's recommendation. Remuneration to other senior executives was determined by the President and CEO in consultation with the remuneration committee. The Annual General Meeting on April 14, 2011 resolved to adopt the board's proposal for guidelines regarding determination of salary and other remuneration to the President and CEO and other senior executives.

### Note 20 Other provisions

	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Warranty provision	38.3	26.7	18.0
Of which short-term portion <sup>1)</sup>	-14.7	-10.1	-6.6
Web domain, Mexico	2.1	-	-
Of which short-term portion <sup>2)</sup>	-0.7	-	-
	25.0	16.6	11.4

	Group		
	2011	2010	2009
Provisions brought forward	16.6	11.4	7.0
Change during the year, warranty provision	7.0	5.2	4.4
Web domain, Mexico	1.4	-	-
Provisions carried forward	25.0	16.6	11.4

<sup>1)</sup> The short-term portion of the warranty provision is covered by the portion which is expected to fall for settlement within a 1-year period.

<sup>2)</sup> The item is settled based on the purchase agreement which contains three settlement periods and extends to 2014. The portion that falls due within one year is included here.

### Note 21 Trade payables and other liabilities

	Group		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Trade payables	289.5	235.3	192.5
Other liabilities	16.3	13.2	12.8
Short-term portion of warranty provision	14.7	10.1	6.6
Social security contributions and other taxes	34.2	29.0	24.6
Accrued expenses	304.0	249.5	189.0
	658.7	537.1	425.4

### Note 22 Derivative instruments

Dec 31, 2009	Group		
	Assets	Liabilities	Net
Currency swaps – equity hedge	-	-4.1	-4.1
Currency futures – equity hedge	-	-0.1	-0.1
Currency futures – cash flow hedge	2.4	-1.2	1.2
	2.4	-5.4	-3.0

The last derivative instruments were sold during 2010 and were measured according to level 2 in the fair value hierarchy (IFRS 7). At the end of 2011 and 2010, there were no derivative instruments.

For the parent company SEK 0 M (2010: SEK 0 M, 2009: SEK 3 M) is included in the item Accrued expenses and prepaid income.

### Note 23 Profit/loss from participations in group companies

	Parent Company		
	2011	2010	2009
Group contributions received	600.3	327.3	314.6
Group contributions paid	-0.1	-0.1	-0.1
Write down of shares in subsidiaries	-	-	-8.2
Anticipated dividends from subsidiaries	57.5	-	-
	657.7	327.2	306.4

### Note 24 Interest income and similar profit/loss items

	Parent Company		
	2011	2010	2009
Interest income	2.4	0.8	1.3
Interest income from group companies	0.3	0.3	0.3
Exchange rate differences	1.4	65.8	131.1
	4.0	66.9	132.7

### Note 25 Interest expenses and similar profit/loss items

	Parent Company		
	2011	2010	2009
Interest expenses	-1.2	-1.0	0.0
Interest expense to group companies	-0.5	-	-
Exchange rate differences	-13.8	-20.9	-79.7
Other financial expenses	-0.2	-0.5	-0.5
	-15.7	-22.3	-80.3

## Note 26 Participations in subsidiaries

Shares owned by the Parent Company	Registered office	Corporate registration no.	Share of votes and equity	Number of shares	Par value	Carrying amount		
						Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Axis Communications AB	Sweden, Lund	556253-6143	100 %	1,600	0.2	0.3	0.3	0.3
Gren Et Karlsson Firmware AB	Sweden, Lund	556304-6209	100 %	500	0.1	0.1	0.1	0.1
Axis Technologies AB	Sweden, Lund	556485-0765	100 %	500	0.1	0.1	0.1	0.1
Axis Alfa AB	Sweden, Lund	556599-4547	100 %	500	0.1	0.1	0.1	0.1
Axis Beta AB	Sweden, Lund	556599-4588	100 %	500	0.1	0.1	0.1	0.1
Axis Gamma AB	Sweden, Lund	556599-4562	100 %	500	0.1	0.1	0.1	0.1
						0.7	0.7	0.7

Shares owned by subsidiaries	Registered office	Corporate registration no.	Share of equity
Axis Communications Pty Ltd	Australia		100 %
Axis Communications Com e Serv Ltda	Brazil		100 %
Axis Comunicaciones Chile Limitada	Chile		100 %
Axis Attento Aps <sup>1)</sup>	Denmark		0 %
Axis Communications Oy	Finland		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 Inc, Canada	Canada		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 Video Sdn. Bhd.	Malaysia		100 %
Axis LAC S.A. de C.V.	Mexico		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 s.r.o.	Czech Republic		100 %
Axis Komünikasyon Hizmetleri Ve Ticaret Ltd Şirketi	Turkey		100 %
Axis Communications GmbH	Germany		100 %
Axis Communications Inc	US		100 %

<sup>1)</sup> The company was liquidated during 2011.

## Note 27 Contingent liabilities and Pledged assets

Contingent liabilities	Group			Parent Company		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
Customs bond	6.0	6.0	-	-	-	-
Contingent liabilities on behalf of other group companies	-	-	-	27.4	-	0.2
	6.0	6.0	-	27.4	-	0.2

Pledged assets	Group			Parent Company		
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
	-	-	-	-	-	-

## Note 28 Cash flow from operating activities

	Group			Parent Company		
	2011	2010	2009	2011	2010	2009
Net profit/loss for the period before financial items	633.3	415.0	308.0	-8.4	-3.5	-3.4
Adjusted for:						
- depreciation of property, plant and equipment	27.5	24.4	19.4	-	-	-
- depreciation and amortization of intangible assets	9.0	16.7	19.3	2.4	-	-
- other items not affecting cash flow	11.2	0.0	0.8	1.5	-	-
Change in working capital						
- inventories	-116.7	-70.2	24.7	-	-	-
- trade receivables and other receivables	-118.9	-21.9	-189.5	-0.8	-1.0	-207.1
- trade payables and other liabilities	116.5	113.6	87.6	2.2	-1.9	-65.5
Cash flow from operating activities	561.9	477.6	270.3	-3.1	-6.4	-276.0

## 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 of operations. 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 of operations.

The statutory administration report for the group and the parent company provides a true and fair review of the development of the group's and the parent company's operations, financial position and results of operations and describes material 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 18, 2012.

Lund, February 1, 2012

Lars-Erik Nilsson  
*Chairman*

Ray Mauritsson  
*President and CEO*

Göran Jansson

Martin Gren

Charlotta Falvin

Olle Isberg

Roland Vejdemo

Our audit report was submitted on February 1, 2012.

PricewaterhouseCoopers AB

Ola Bjärehäll  
*Authorized Public Accountant*  
*Chief Auditor*



## Audit report

To the Annual General Meeting of the shareholders of Axis AB (publ), corporate identity number 556241-1065.

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts for Axis AB (publ) for the year 2011. The company's annual accounts and consolidated accounts are presented in the printed version of this document on pages F1–F29.

*The Board of Directors and the Managing Director are responsible for the annual accounts and consolidated accounts.*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance report has been prepared. The administration report and the corporate governance report are consistent with the other parts of the financial statements and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Axis AB (publ) for the year 2011.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinions*

We recommend to the annual meeting of shareholders, that the profit be appropriated in accordance with the proposal in the statutory 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 1, 2012

PricewaterhouseCoopers AB

Ola Bjärehäll

*Authorized Public Accountant  
Chief auditor*

## Multi-year summary

INCOME STATEMENT (SEK M)	2006	2007	2008	2009	2010	2011
Net sales	1,202.5	1,671.3	1,974.8	2,300.7	2,933.0	3,577.6
Cost of goods and services sold	-543.5	-747.9	-887.7	-1,064.5	-1,446.7	-1,750.2
<b>Gross profit</b>	<b>659.0</b>	<b>923.4</b>	<b>1,087.1</b>	<b>1,236.2</b>	<b>1,486.3</b>	<b>1,827.4</b>
Other income and changes in value	2.5	7.2	8.8	-49.2	-22.3	19.7
Selling and marketing expenses	-226.7	-307.5	-403.8	-455.5	-553.6	-610.4
Administrative expenses	-53.5	-61.7	-82.9	-91.3	-113.3	-135.8
Research and development expenses	-158.2	-193.4	-268.6	-332.1	-382.1	-467.6
<b>Operating profit/loss</b>	<b>223.2</b>	<b>368.1</b>	<b>340.6</b>	<b>308.1</b>	<b>415.0</b>	<b>633.3</b>
Net financial income/expense	-0.8	-0.7	-0.8	-1.4	-2.2	-2.3
<b>Profit/loss after financial items</b>	<b>222.4</b>	<b>367.4</b>	<b>339.8</b>	<b>306.7</b>	<b>412.8</b>	<b>631.0</b>
Tax on profit/loss for the period	-65.0	-108.6	-87.4	-88.9	-113.0	-175.3
<b>Net profit/loss for the year</b>	<b>157.4</b>	<b>258.8</b>	<b>252.4</b>	<b>217.8</b>	<b>299.8</b>	<b>455.7</b>

BALANCE SHEET (SEK M)	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Non current assets	85.6	91.0	105.8	130.9	141.4	186.7
Inventories	151.7	166.1	248.7	224.0	294.2	410.9
Account receivables	202.6	237.3	211.3	402.8	420.9	536.5
Other receivables	36.0	35.9	80.1	58.8	56.1	58.7
Cash and cash equivalents	313.5	384.1	213.4	301.8	366.3	425.0
<b>Total</b>	<b>789.3</b>	<b>914.4</b>	<b>859.3</b>	<b>1,118.3</b>	<b>1,278.9</b>	<b>1,617.8</b>
Equity	501.1	551.5	441.1	608.4	627.2	768.6
Long-term liabilities	15.7	40.1	30.8	61.7	92.9	101.8
Current liabilities	272.5	322.8	387.4	448.2	558.8	747.4
<b>Total</b>	<b>789.3</b>	<b>914.4</b>	<b>859.3</b>	<b>1,118.3</b>	<b>1,278.9</b>	<b>1,617.8</b>

CASH FLOW STATEMENT (SEK M)	2006	2007	2008	2009	2010	2011
Cash flow from operating activities before change in working capital	240.6	308.4	244.3	299.2	368.6	573.7
Change in working capital	-13.7	-12.0	-12.9	-75.2	22.8	-119.4
Cash flow from operating activities	226.9	296.4	231.4	224.0	391.4	454.3
Cash flow from investing activities	-38.0	-27.8	-55.3	-62.2	-51.7	-82.0
Cash flow from financing activities	-62.7	-197.9	-346.8	-73.4	-275.2	-313.6
Cash flow for the period	126.2	70.7	-170.7	88.4	64.5	58.7
Cash and cash equivalents at the start of the period	187.2	313.5	384.1	213.4	301.8	366.3
Cash and cash equivalents at the close of the period	313.5	384.1	213.4	301.8	366.3	425.0

OPERATING CASH FLOW (SEK M)	2006	2007	2008	2009	2010	2011
Profit/loss after financial items	222.4	367.4	339.8	306.7	412.8	631.0
Depreciation	20.6	21.9	40.6	38.7	41.1	36.5
Tax	-6.3	-75.1	-127.0	-46.9	-85.3	-107.9
<b>Total</b>	<b>236.7</b>	<b>314.2</b>	<b>253.4</b>	<b>298.5</b>	<b>368.6</b>	<b>559.6</b>
Change in working capital	-13.7	-12.0	-12.9	-75.2	22.8	-119.4
Net investment	-38.0	-27.8	-55.3	-62.2	-51.7	-82.0
<b>Operating cash flow</b>	<b>185.0</b>	<b>274.4</b>	<b>185.2</b>	<b>161.1</b>	<b>339.7</b>	<b>358.2</b>

KEY RATIOS	2006	2007	2008	2009	2010	2011
Net sales growth, %	34.3	39.0	18.2	16.5	27.5	22.0
Gross margin, %	54.8	55.2	55.0	53.7	50.7	51.1
Operating margin, %	18.6	22.0	17.2	13.4	14.1	17.7
Profit margin, %	18.5	22.0	17.2	13.3	14.1	17.6
Depreciation, SEK M	20	22	41	39	41	37
Equity, SEK M	501	551	441	608	627	769
Capital employed, SEK M	517	592	472	683	720	870
Interest-bearing liabilities, SEK M	6	6	-	-	-	-
Net debt, SEK M	302	390	213	302	366	425
Balance sheet total, SEK M	789	914	859	1118	1279	1618
Return on capital employed, %	48.1	66.4	64.1	54.0	59.2	79.6
Return on total assets, %	32.6	43.2	38.4	31.2	34.6	43.7
Return on equity, %	35.3	50.3	49.3	43.1	49.3	66.6
Interest coverage ratio, multiple	297.5	517.0	411.9	220.1	191.4	276.4
Equity/assets ratio, %	63.5	60.4	51.3	54.4	49.0	47.5
Proportion risk-bearing capital,%	64.1	63.5	54.0	58.8	54.9	52.1
Capital turnover rate, multiple	2.6	3.0	3.7	4.0	4.2	4.5
Number of employees (average for the period)	427	507	663	764	848	1,039
Sales per employee, SEK M	2.8	3.3	3.0	3.0	3.5	3.4
Operating profit per employee, SEK M	0.5	0.7	0.5	0.4	0.5	0.6
<b>DATA PER SHARE</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Profit after financial items, SEK	3.21	5.30	4.90	4.42	5.95	9.08
Cash flow, SEK	1.82	1.02	-2.46	1.27	0.93	0.85
Equity, SEK	7.24	7.95	6.36	8.77	9.03	11.07
Share price at the close of the period	91.75	159.00	57.50	83.75	122.50	138.50
Price/equity, percent	1,268	2,000	904	955	1,357	1,252
Dividend, SEK (paid during the year)	1.00	3.00	4.50	1.25	4.00	4.50
P/E ratio	40	43	16	27	28	21
P/S ratio	5.3	6.60	2.02	2.53	2.90	2.69
Profit per share before dilution, SEK	2.28	3.73	3.64	3.14	4.32	6.56
Profit per share after dilution, SEK	2.27	3.73	3.63	3.14	4.32	6.56
Number of shares before dilution, average, thousand	69,084	69,315	69,374	69,374	69,406	69,461
Number of shares after dilution, average, thousand	69,220	69,426	69,452	69,423	69,406	69,461
Number of outstanding shares (thousand)	69,253	69,372	69,374	69,376	69,461	69,461
Average number of shares (thousand)	69,084	69,315	69,374	69,374	69,406	69,461

## Definitions

### Capital employed

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

### Capital turnover rate

Net sales divided by average capital employed.

### Cash flow per share

Cash flow for the year divided by the average number of shares.

### Earnings per share

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

### Equity/assets ratio

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

### Equity per share

Equity divided by the number of outstanding shares.

### Gross margin

Gross profit as a percentage of net sales.

### Interest coverage ratio

Profit after financial items plus financial expenses divided by financial expenses.

### Net debt

Net interest-bearing receivables and liabilities.

### Operating margin

Operating profit as a percentage of sales.

### Operating margin after depreciation of property, plant and equipment

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

### P/E

Market value divided by profit after full tax.

### P/S

Market value divided by net sales.

### Profit margin

Profit after financial items as a percentage of sales.

### Profit per employee

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

### Proportion of risk-bearing capital

Equity plus minority interests and deferred tax liabilities as a percentage of the balance sheet total.

### Return on capital employed

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

### Return on equity

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

### Return on total assets

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

### Sales per employee

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

## Quarterly data

Invoicing per product group (SEK M)	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Full year 2011
Video	633.1	665.0	722.1	869.0	797.6	740.7	965.5	1,046.7	3,550.5
Other	9.5	13.3	14.7	6.3	10.7	6.4	5.7	4.2	27.0
<b>Total</b>	<b>642.6</b>	<b>678.3</b>	<b>736.8</b>	<b>875.3</b>	<b>808.3</b>	<b>747.2</b>	<b>971.2</b>	<b>1,050.9</b>	<b>3,577.6</b>

Invoicing per region (SEK M)	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Full year 2011
EMEA	291.0	265.2	300.0	403.4	332.2	320.9	374.1	452.1	1,479.3
Americas	285.2	347.6	360.3	379.9	394.6	350.0	499.7	495.3	1,739.6
Asia	66.4	65.5	76.5	92.0	81.5	76.3	97.4	103.5	358.7
<b>Total</b>	<b>642.6</b>	<b>678.3</b>	<b>736.8</b>	<b>875.3</b>	<b>808.3</b>	<b>747.2</b>	<b>971.2</b>	<b>1,050.9</b>	<b>3,577.6</b>

Income statement (SEK M)	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Full year 2011
Net sales	642.6	678.3	736.8	875.3	808.3	747.2	971.2	1,050.9	3,577.6
Gross profit	333.8	339.2	371.0	442.3	411.5	382.4	499.7	533.7	1,827.3
Gross margin	51.9 %	50.0 %	50.4 %	50.5 %	50.9 %	51.2 %	51.5 %	50.8 %	51.1 %
<b>Operating profit/loss</b>	<b>95.2</b>	<b>74.0</b>	<b>120.5</b>	<b>125.3</b>	<b>126.2</b>	<b>90.2</b>	<b>224.9</b>	<b>191.9</b>	<b>633.2</b>
Operating margin	14.8 %	10.9 %	16.4 %	14.3 %	15.6 %	12.1 %	23.2 %	18.3 %	17.7 %
<b>Profit after financial items</b>	<b>94.9</b>	<b>73.5</b>	<b>119.8</b>	<b>124.7</b>	<b>125.9</b>	<b>89.5</b>	<b>224.0</b>	<b>191.6</b>	<b>631.0</b>