



ANNUAL REPORT 2012

The year in brief

- > Sales totaled SEK 4,184 M (3,578), corresponding to growth of 17 percent.
- > Operating profit amounted to SEK 575 M (633).
- > Profit after tax totaled SEK 427 M (456).

The quarters of 2012 in brief

Q1

Weak start to the year

- > Sales amounted to SEK 881 M, corresponding to growth of 9 percent.
- > Operating profit amounted to SEK 79 M, corresponding to an operating margin of 9 percent.
- > Profit after tax amounted to SEK 57 M.

Q2

Strong growth

- > Sales amounted to SEK 1,044 M, corresponding to growth of 40 percent.
- > Operating profit amounted to SEK 121 M, corresponding to an operating margin of 12 percent.
- > Profit after tax amounted to SEK 88 M.

Q3

Stabilized project flow

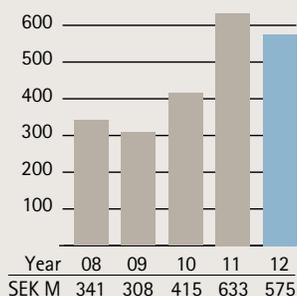
- > Sales amounted to SEK 1,079 M, corresponding to growth of 11 percent.
- > Operating profit amounted to SEK 168 M, corresponding to an operating margin of 16 percent.
- > Profit after tax amounted to SEK 120 M.

Q4

Performance in line with expectations

- > Sales amounted to SEK 1,180 M, corresponding to growth of 12 percent.
- > Operating profit amounted to SEK 207 M, corresponding to an operating margin of 17,5 percent.
- > Profit after tax amounted to SEK 163 M.

OPERATING PROFIT/EBIT



KEY RATIOS

Group, SEK M (unless otherwise stated)	2012	2011
Net sales	4,184	3,578
Operating profit	575	633
Profit before tax	569	631
Profit after tax	427	456
Earnings per share, SEK	6.15	6.56
Cash and cash equivalents at the end of the period	465	425
Dividend, SEK	5.00*	5.50

* The board's proposal

NUMBER OF NEW EMPLOYEES

276

SALES PER REGION, SEK M

Region	2012	2011
Americas	2,118	1,740
EMEA	1,579	1,480
Asia	487	359

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AXIS P55



AXIS Q60



AXIS Q17



DEVELOPMENT AND INNOVATION GO HAND IN HAND

Axis is developing innovative network solutions for today's needs and the challenges of the future in line with changes in the surrounding world.

Expansion of public means of transport is a critical factor in order for growing cities to function. The AXIS P55 series is ideal for indoor and outdoor installations at metro stations and platforms.

More and more people are moving about in our cities. With advanced image technology and vandal-resistant design, the AXIS Q60 series is ideal for city surveillance and makes everyday life safer in public places for millions of people around the world.

Many businesses and industries impose extra strict demands when it comes to image quality and functionality. With its robust design, HDTV-resolution and powerful zoom, the AXIS Q17 series is well-adapted for surveillance of passport controls, casinos and airports.

AXIS IN 1 MINUTE

Axis is the market leader in network video and a driver of the shift from analog to digital video surveillance – thereby paving the way to a smarter, safer, more secure world. Axis offers network video solutions for professional installations featuring products and solutions that are based on innovative and open technology platforms.

1,403

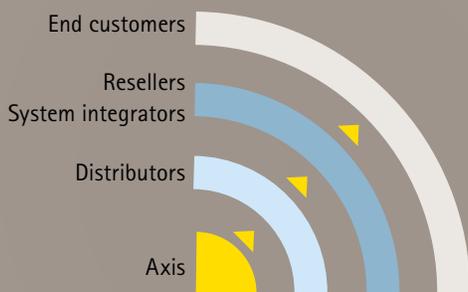
Number of employees in the Axis group

41

Number of countries with Axis employees

179

Number of countries with partners



55,000 PARTNERS

Transport



City surveillance



Retail



Education



Banks



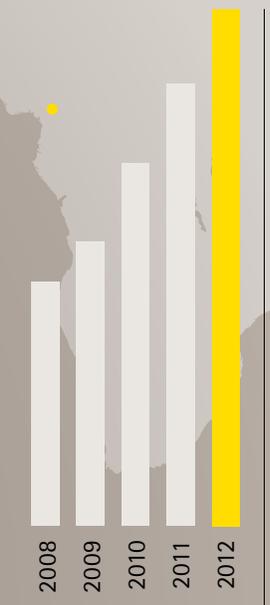
Industry



Critical infrastructure



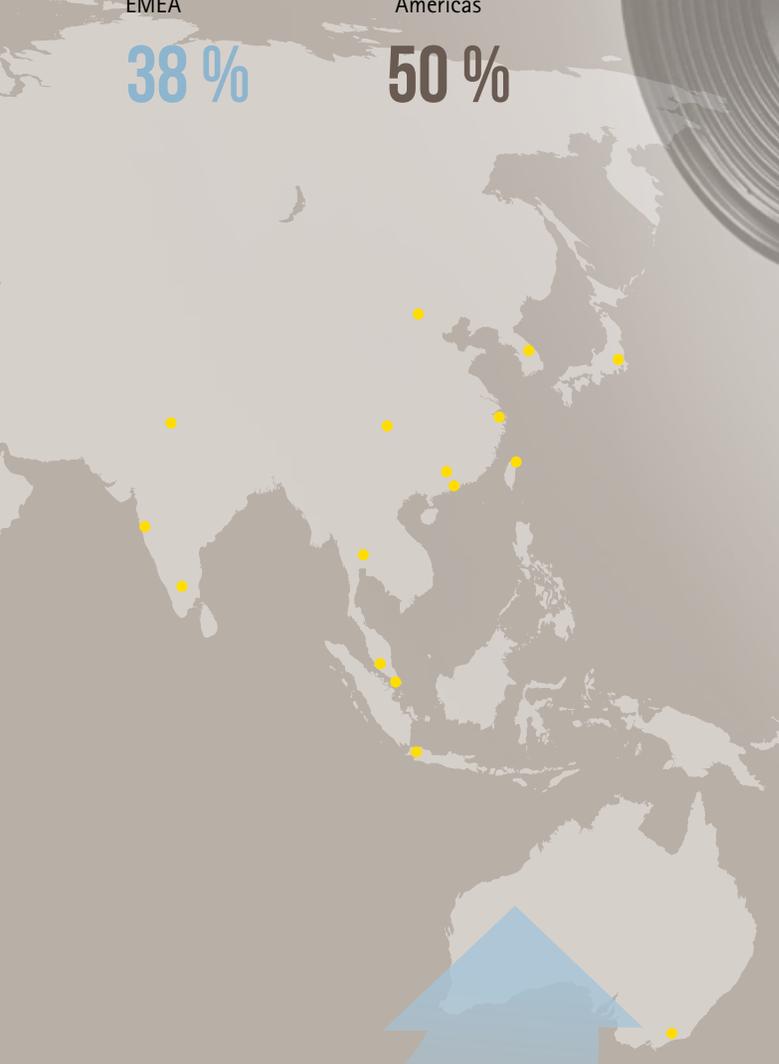
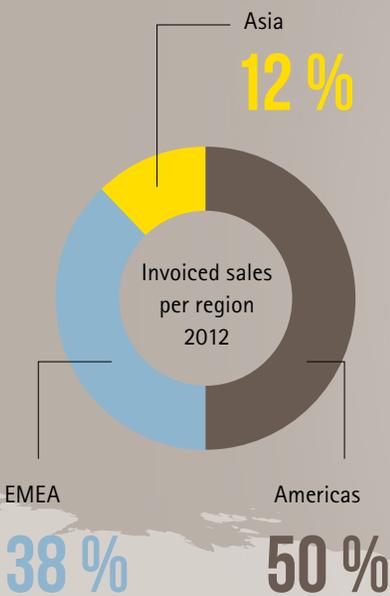
Healthcare



4,184
SEK million in sales

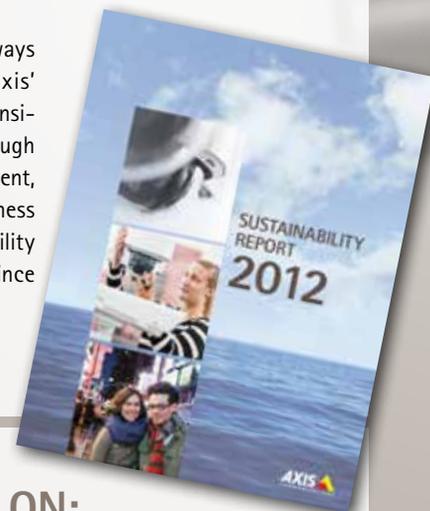
#1

Market leader in network video and video surveillance



AXIS' SUSTAINABILITY WORK

Sustainability work has always been a natural part of Axis' operations. Corporate responsibility shall be exercised through consideration of the environment, social responsibility and business ethics. A separate sustainability report has been published since 2010.



FOLLOW AXIS ON:

www.axis.com



+17%

Sales growth 2012

Continued investment and expansion during a challenging year

2012 was dominated by challenging market conditions and global financial turbulence. All the same, I would like to emphasize that it was a successful year for Axis in many respects. We maintained a high release rate of new innovative products in network video while we continued our global expansion. We will continue to drive the market for network surveillance through our position as market leader and through our technological leadership.

We have strengthened our offering toward smaller installations significantly, an area that is expected to grow strongly in the coming years, and have expanded the product portfolio with solutions that contribute to greater customer benefit. I can also confirm with satisfaction that we were ranked as global number one for the first time in the broad video surveillance category in IMS Research's yearly report. Stable organic growth and a strategic focus generated the highest sales in Axis' history while the company's financial position remains favourable.

Strong position in a turbulent market

The continued turbulence surrounding the Euro and Southern Europe clearly affected the EMEA region during the year, which performed weaker than the market as a whole. These concerns have also resulted in some caution with investments in other regions, where growth in video surveillance solutions was generally lower than in previous years. It is difficult to predict the trend for 2013. Underlying demand continues to be affected by the market uncertainty and financial turbulence. This meant that the expected long-term growth in network video of 20–25 percent was not achieved in 2012.

Well-received solutions and products for small systems

During the year, we released a new concept as planned – AXIS Camera Companion – produced as an ideal solution for small video surveillance systems with a small number of cameras. This part of the market is still dominated by analog cameras, but through user-friendly and cost effective solutions, the technology shift to network video is expected to gather momentum in the coming years. AXIS Camera Companion is easy to install, utilizes the capacity in our cameras and handles all video recording on SD memory cards in the camera. The cameras are also equipped with functionality for download of smart applications enabling integration with other systems and thus greater commercial benefit for the end customer. It is still too early to make reliable estimates about the number of small systems sold, but based on downloads of the software used during installation, we can happily confirm a rapidly growing interest for this solution.

We are confident about the future and have a good basis for continued positive and profitable growth.

Continued investments in technology development

The work on offering the market new innovative products and improved applications is continuing at a high rate. Meanwhile, continual development of our ASIC platforms is taking place, which will enable continued release of market-leading products with unique functionality in the coming years. Besides the release of entirely new products, focused on the above-mentioned market for small systems, we also introduced previously released leading edge functions during the year such as Lightfinder and Wide Dynamic Range in large parts of our broad product portfolio.

Rapid and efficient expansion in all markets

During the year, we had the pleasure of welcoming 276 new employees and today we have more than 1,400 employees worldwide. In our global expansion it is important to succeed in attracting the right employees who share our values and corporate culture. It is thus gratifying to see that our thorough recruitment process has worked exceptionally well during the year. A lot of effort is devoted to personal interviews and meetings in order to ensure competencies and long-term commitment. The rapid expansion in many ways implies a challenge for the existing organisation, which has admirably ensured that the introduction of all new colleagues proceeded efficiently and that our core values are firmly established among all employees.

Continued huge growth potential

External developments are resulting in increased need for security solutions. The market is also driven by technological development and innovation. Although the growth rate is somewhat subdued at present, the growth potential for network video in the next 4–5 years is still 20–25 percent annually. This means that we are continuing to prioritise and focus on growth opportunities in network video. Meanwhile looking ahead, as an innovative company, we also aim to identify complementary offerings to strengthen our position further. By combining these ambitions with our clearly focused strategy and leading market position, we are confident about the future and have a good basis for continued positive and profitable growth.



Operations and goals

Axis is the global market leader in network video. The company was founded in 1984 and the headquarters are based in Lund, Sweden. Axis offers network video solutions for professional installations featuring products and solutions that are based on innovative and open technology platforms.

The customers are found within many areas, but Axis has chosen to focus on a number of end customer segments: transport, retail, education, banks, city surveillance, healthcare, industry and critical infrastructure.

Business mission

Axis' business mission is to drive the shift from analog to digital video surveillance and offer customers all the benefits of comprehensive intelligent network video solutions. Axis develops products and solutions for a smarter, safer and more secure world where countries and companies can offer security to their citizens, employees and customers.

VISION:

Innovating for a smarter, safer world.

MISSION:

Together, we pioneer intelligent network technology creating unique possibilities for partners, end users and employees.

Financial goals

Axis' financial goals aim to create a good basis for safeguarding shareholders' interests for a long-term increase in value. The financial goals for growth and profitability enable continual investments in line with the company's strategies. Axis' market-leading position creates a good basis for achieving growth, profitability and financial stability in the long term over a business cycle.



Total average annual growth of at least 20 percent.

Comment:

Axis operates in a strongly growing market and the goal is to grow faster, or in line with the market in the long term. Growth is generated by underlying demand for security cameras and Axis is driving the shift from analog to digital video surveillance. Growth was 17 percent in 2012.

Profit margin of at least 10 percent.

Comment:

Over a business cycle, Axis shall display a profit margin of at least 10 percent. This goal is formulated on the basis of the market trend in the longer term. The profit margin was 14 percent in 2012.

Strategy

Axis' overall goal is to strengthen its market-leading position in network video. Through continual product development, strong collaboration with partners and continued expansion in new and existing markets, Axis shall continue to drive the shift from analog to digital systems.

Products



Axis offers the market's broadest product portfolio of innovative and high-technology network video products. As market leader, Axis shall not only meet but shall exceed customer expectations.

Strategy

Maintain an offensive release rate and offer new products and solutions in network video.

Understand customer needs and meet demand with the market's most innovative products.

Axis' network video solutions shall be scalable, cost-efficient, intelligent and deliver enhanced flexibility and high performance.

The product portfolio shall continue to be supplemented with smart applications.

Maintain and strengthen the company's leading technological position through continued focused investments in research and development.

All production shall occur in collaboration with partners that are specialized in contract electronics manufacturing and that comply with the requirements of Axis' Code of Conduct.

Goal fulfillment 2012

Some thirty innovative products were released in all product areas. During the year, Axis advanced its offering in essentially all customer segments through development of existing solutions and introduction of entirely new network video products and services.

New solutions have been introduced for discrete surveillance, smaller installations and areas subject to extreme temperature conditions.

Release of products based on the fourth generation of the proprietary ARTPEC chip. New smart solutions and accessories have been introduced for simpler and safer installation processes.

Axis continually broadens its network of selected application developers. Several new intelligent applications that boost commercial benefit for end customers were released during the year.

Expenditure in research and development operations accounted for 15 percent of sales. The focus has been on continued improvement of image quality, enhanced functionality and network video products that are easy to install and integrate into other systems.

Continued advancement of collaboration with contract manufacturers in order to optimize product supply. A new production unit has been contracted in Mexico with the aim of supporting supply to the American market.

Partners

Since its foundation in 1984, Axis' indirect sales model has been a critical success factor. Strong relationships with partners enable flexible and effective collaboration, promoting a worldwide presence and local market understanding.

Strategy

Continue to advance collaboration with local and global strategic partners in order to spread knowledge of the commercial benefits of network video.

Develop business in existing and new end customer segments.

Drive the technology shift in the transition from analog to network video solutions.

Goal fulfillment 2012

During the year, the number of partners passed 55,000. In mature markets, Axis has focused on advancing established collaboration, while major investments have been made in emerging markets to add new partners.

Axis has continued to develop specialist competencies in the major end customer segments. New solutions were introduced in order to meet specific needs in various customer segments.

Continual training of partners and end customers through certification programs, classroom training, trade fairs and training within the framework of Axis Communications Academy.

Global expansion

Continued offensive recruitment rate in existing markets and establishment in new geographical markets are cornerstones of the global growth strategy. Meanwhile, Axis is careful to preserve its unique culture and find employees who share the company's values.

Strategy

Axis shall mainly grow organically.

Continue to attract and recruit skilled employees on a global basis within identified skills areas.

Active sustainability work is, and always has been, a natural part of Axis' operations.

Goal fulfillment 2012

Axis has continued to strengthen its local presence and at year-end had its own employees in 41 countries.

At year-end, Axis had 1,403 employees worldwide, a net increase of 276 people.

Axis follows the guidelines of the Global Reporting Initiative (GRI) at level C. All employees are expected to follow Axis' Code of Conduct.

Strong driver of continued growth

For a number years, the camera surveillance market has been undergoing a technology shift from analog to digital network solutions. It is not only new technology that is driving demand. Economic growth, new legislation and increased acceptance are also strong drivers.

Today Axis is the market leader in solutions for network surveillance systems. The fundamental right to a safe and secure society is the basis of the increased demand for video surveillance.

The market is changing rapidly and the general global trend towards higher security awareness is driving development of more advanced systems. With the market's broadest product portfolio, worldwide market presence and efficient production and distribution chains, Axis is well-positioned to take advantage of opportunities and drive the technology shift in all customer segments.

A market with many drivers

The ongoing technology shift and increased security awareness are important drivers for continued growth in the market for digital surveillance systems, but just like all other markets, the industry is also impacted by global megatrends. Key external forces that are driving demand in various ways include economic development, urbanization and social prosperity. Meanwhile, the general acceptance of camera surveillance is increasing which means that citizens, customers and employees are obtaining a safer life.

Global drivers:

> Technology shift: As knowledge among customers grows, more advanced and smarter surveillance solutions are being demanded. This is partly a result of the growing need for a safer world, but also due to the realization that increased camera functionality can improve business, streamline surveillance and simplify handling. The many advantages of digital systems, such as easy network integration, scalability, high image quality, light sensitivity and remote monitoring are driving the shift from analog to network camera surveillance. At present, digital systems account for around

30 percent of total new sales. By 2015, this share is expected to have risen to 50 percent after an estimated growth rate of about 25 percent in the next few years*.

- > Economic development: Global urbanization and increased prosperity are boosting demand for more and better security solutions. Investments in properties, public transport and other infrastructural systems are increasing demand for professional surveillance.
- > Increased security needs: Demand for security solutions is increasing in both public and private organizations. This is resulting in demands for more advanced solutions in existing installations and is creating business opportunities in new areas.

Strong market trends:

Long-term drivers of continued growth are underpinned by more short-term market trends. The clearest trends in the camera surveillance market today are the growing needs for increased functionality, customized solutions and better image quality.

- > Increased functionality: Customers continue to request more high-tech products with better functionality in order to protect their investments. Axis continues to offer customers even higher efficiency and quality in its security solutions and is releasing new innovative products.
- > Customized solutions: Each country, company and business operation has its specific needs and wishes. Customers expect products that are able to identify and also meet their specific challenges by offering unique solutions and functions. This applies to both smaller installations where price and user-friendliness are critical aspects, as well to large systems where quality, system management and integration are in focus.

* The 2012 edition of IMS Research's report "The world market for CCTV & Video Surveillance Equipment".

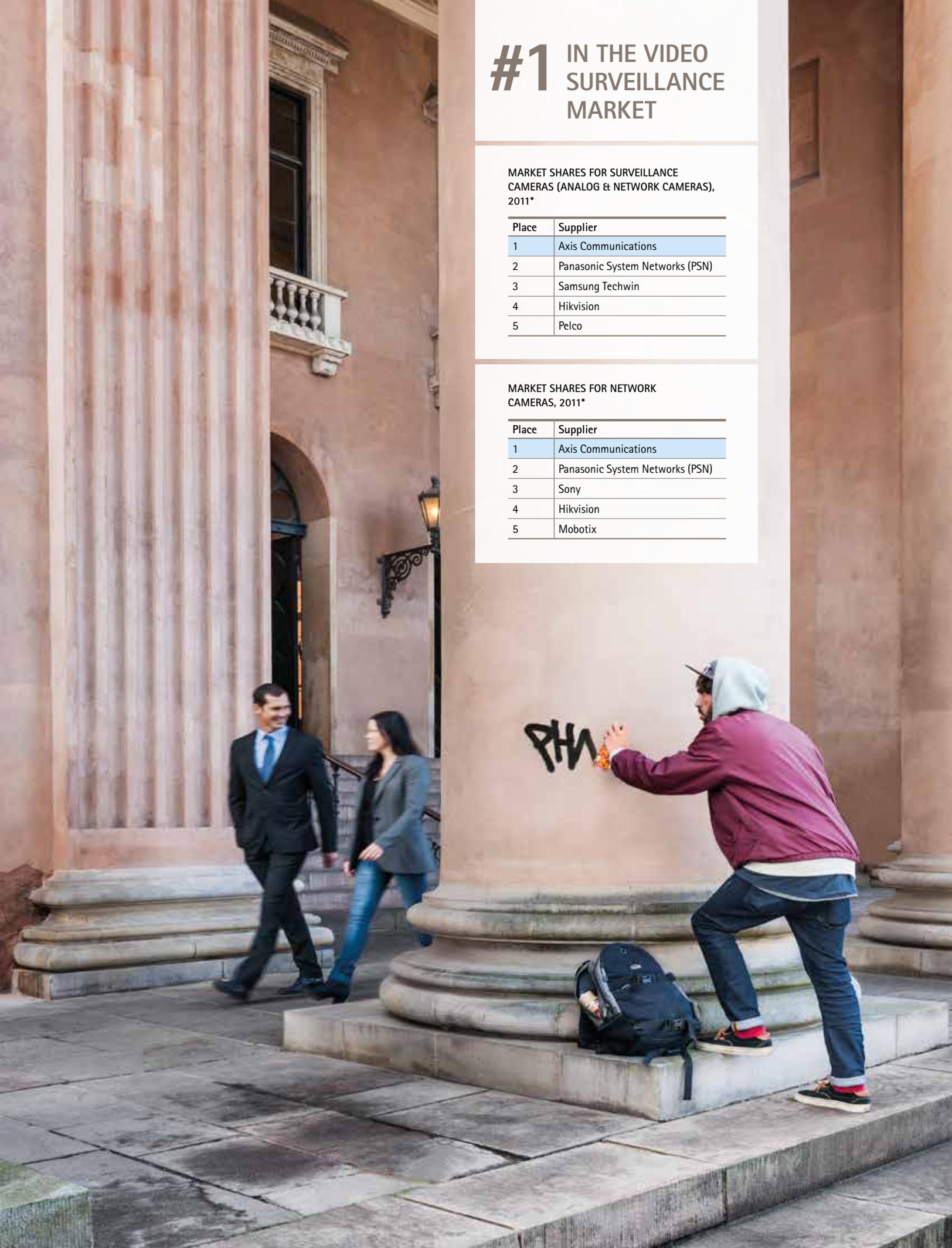
#1 IN THE VIDEO SURVEILLANCE MARKET

MARKET SHARES FOR SURVEILLANCE CAMERAS (ANALOG & NETWORK CAMERAS), 2011*

Place	Supplier
1	Axis Communications
2	Panasonic System Networks (PSN)
3	Samsung Techwin
4	Hikvision
5	Pelco

MARKET SHARES FOR NETWORK CAMERAS, 2011*

Place	Supplier
1	Axis Communications
2	Panasonic System Networks (PSN)
3	Sony
4	Hikvision
5	Mobotix



- > Image quality: Higher resolution and the possibility to monitor areas that are characterized by poor lighting conditions are increasingly in demand. Images that enable clear identification of events or individuals are now expected in all segments.

Leading position in a growing global market

In a short period of time, Axis has grown from a local company into a global market-leading provider of network solutions with a presence in 41 countries. The products are sold via partners in 179 markets. Axis' strong position is the result of successful organic sales growth while retaining strategic focus. By sharing its knowledge and ideas, Axis is growing together with its partners and global customers.

From a global perspective, the network video market is expected to continue growing at a rapid rate in all regions. The growth rate varies depending on the degree of maturity, socio-economic development and legal factors. Axis has divided the market into three regions – EMEA, Americas and Asia.

The highest penetration of surveillance cameras per head of population is in the UK and China. These markets are dominated by analog systems and network video accounts for a small share of the total installation base. In recent years, more and more users in both countries have become interested in digital systems. The technology shift is mainly driven by demand for increased customer benefit and efficient solutions.

The highest penetration of network video is in the Middle East and in

the Nordic countries. Historically, the existence of surveillance systems has been low in these markets and the majority of the security systems installed in recent years have been digital. The positive reception of network video has contributed to rapidly increasing demand for digital solutions in all customer segments in both markets.

Axis' end customers

In its operations, Axis has identified eight end customer segments for the purpose of offering attractive solutions with the right functionality for specific needs. The customer categories are: retail, city surveillance, transport, industry, education, banks, critical infrastructure and healthcare. Transport, retail, city surveillance and education are the largest customer segments, which are often characterized by complex solutions and larger installations. Customers are governments, municipalities, public transport companies, airports and private operators. In other customer segments, the focus is on flexible and cost-efficient surveillance systems that contribute to safer and more efficient business.

Increased competition

More and more actors are interested in the rapidly growing network video market. Global companies such as Sony, Panasonic, Bosch and Samsung have previously been successful in analog systems and now also offer digital solutions. In addition, there are a large number of specialized companies that are focused on network technology. Taken together, it is estimated that there are more than 300 brands in the market for network cameras worldwide.

FOCUS ON CONTINUED RAPID GROWTH

The majority of Axis' sales are generated in larger installations in mature markets in North America and Europe. With a global market-leading position in these customer and market segments, Axis is now concentrating strongly on new geographical areas and customer segments where the company estimates that the growth potential is particularly high.

New segments

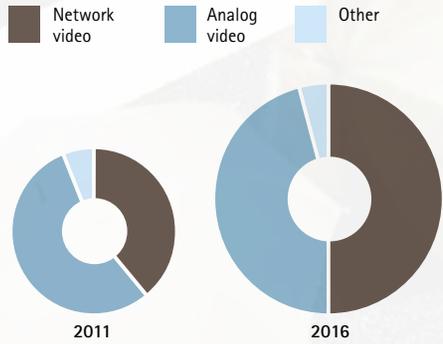
In line with future global trends, Axis is actively trying to position itself in segments which have good future growth and profitability potential. Smaller installations represent a large part of the overall video surveillance market and are currently dominated by analog surveillance systems. The need for better image quality and flexible solutions is driving demand for network video at an increasingly rapid rate. Meanwhile, interest is also increasing for new applications in cameras which enable more profitable business planning and store optimization for store owners, offices and hotels. During the year, AXIS Camera Companion was released, which is a

digital HDTV solution for smaller surveillance systems. For some time, Axis has also offered AXIS Video Hosting System where the end customer purchases digital surveillance as a service from a security provider.

Increased share in emerging markets

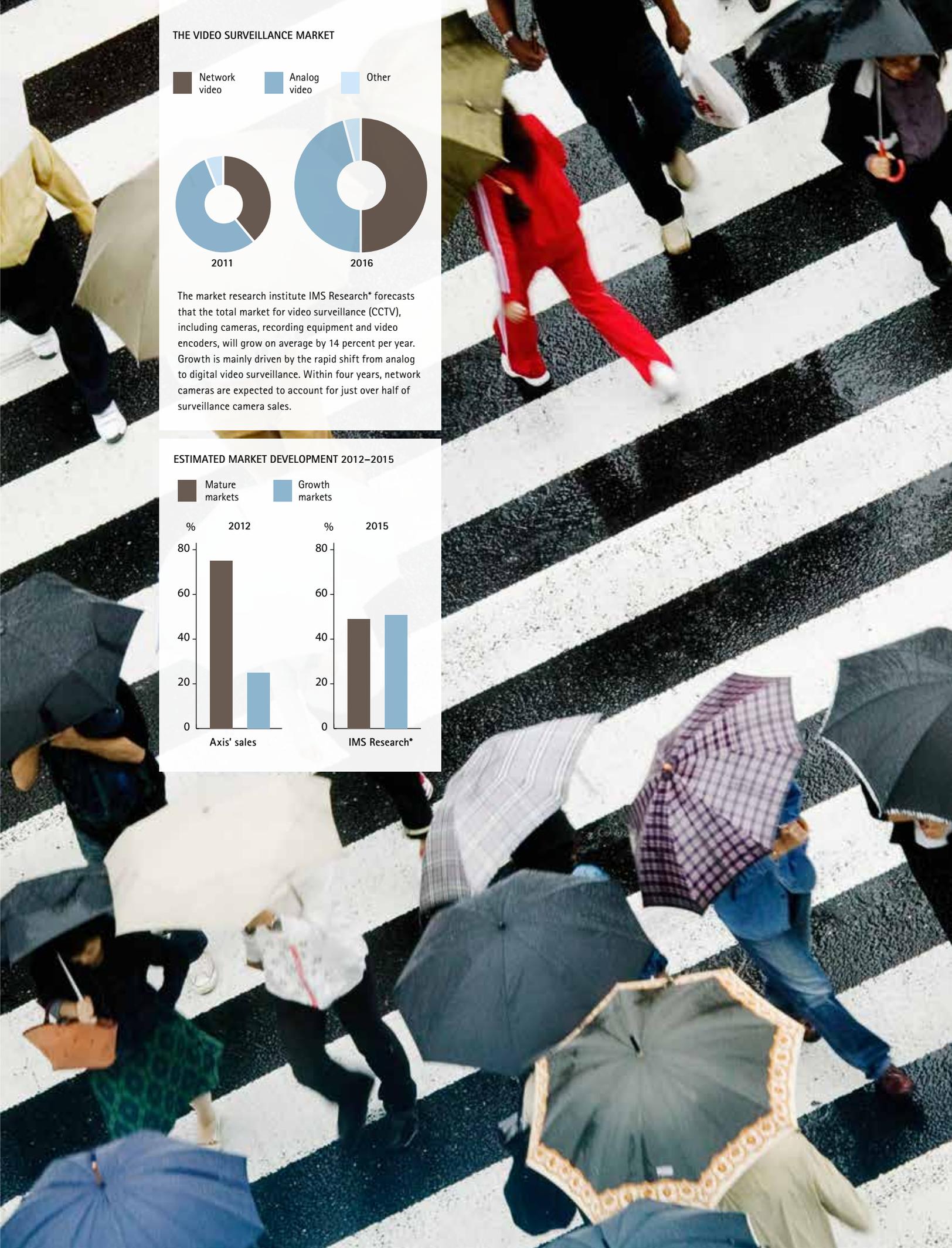
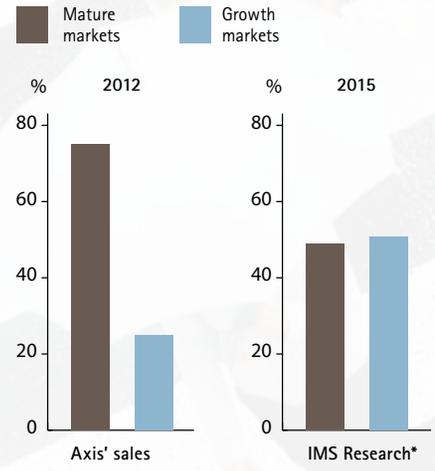
From an existing customer base in mature markets, Axis has expanded strongly in emerging markets in Asia and South America. A prioritized growth mission for Axis in the next few years is to continue to boost its presence and strengthen its position in emerging markets outside Western Europe and North America. During 2012, mature markets accounted for around 75 percent of total sales. Within a five-year period, this share is expected to have decreased to 50–60 percent, with a re-weighting towards Asia in particular. Emerging markets are characterized by a low penetration rate of network cameras and will benefit from major investments in infrastructure and new construction and also from rapid economic growth.

THE VIDEO SURVEILLANCE MARKET

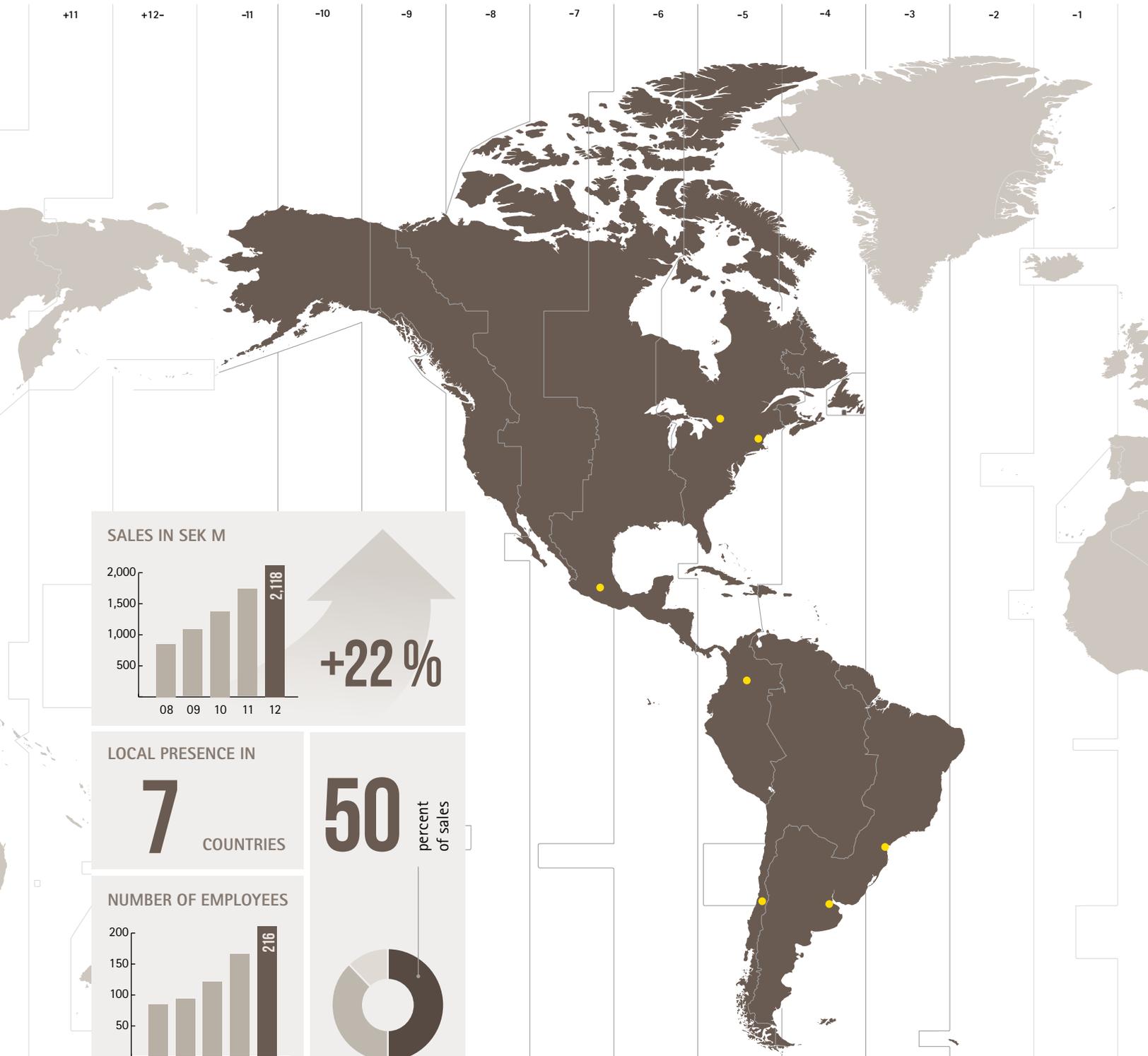


The market research institute IMS Research* forecasts that the total market for video surveillance (CCTV), including cameras, recording equipment and video encoders, will grow on average by 14 percent per year. Growth is mainly driven by the rapid shift from analog to digital video surveillance. Within four years, network cameras are expected to account for just over half of surveillance camera sales.

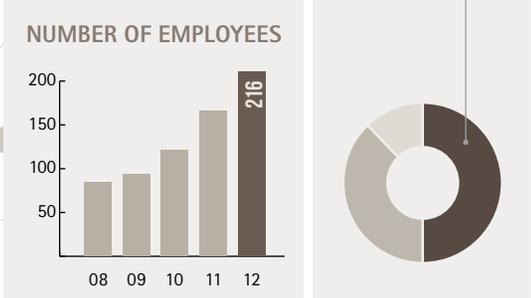
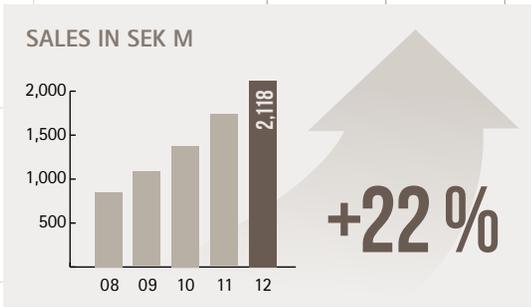
ESTIMATED MARKET DEVELOPMENT 2012-2015



Americas region in focus



+11 +12- -11 -10 -9 -8 -7 -6 -5 -4 -3 -2 -1



- ### CUSTOMER SEGMENTS IN FOCUS
- Transport
 - Retail
 - City surveillance
 - Education

23:00 4:00 5:00 6:00 7:00 8:00 9:00 10:00 11:00

STRENGTHENED MARKET LEADERSHIP

The Americas region is Axis' largest market and accounts for approximately 50 percent of total sales. This market-leading position was strengthened during the year and growth amounted to 22 percent.

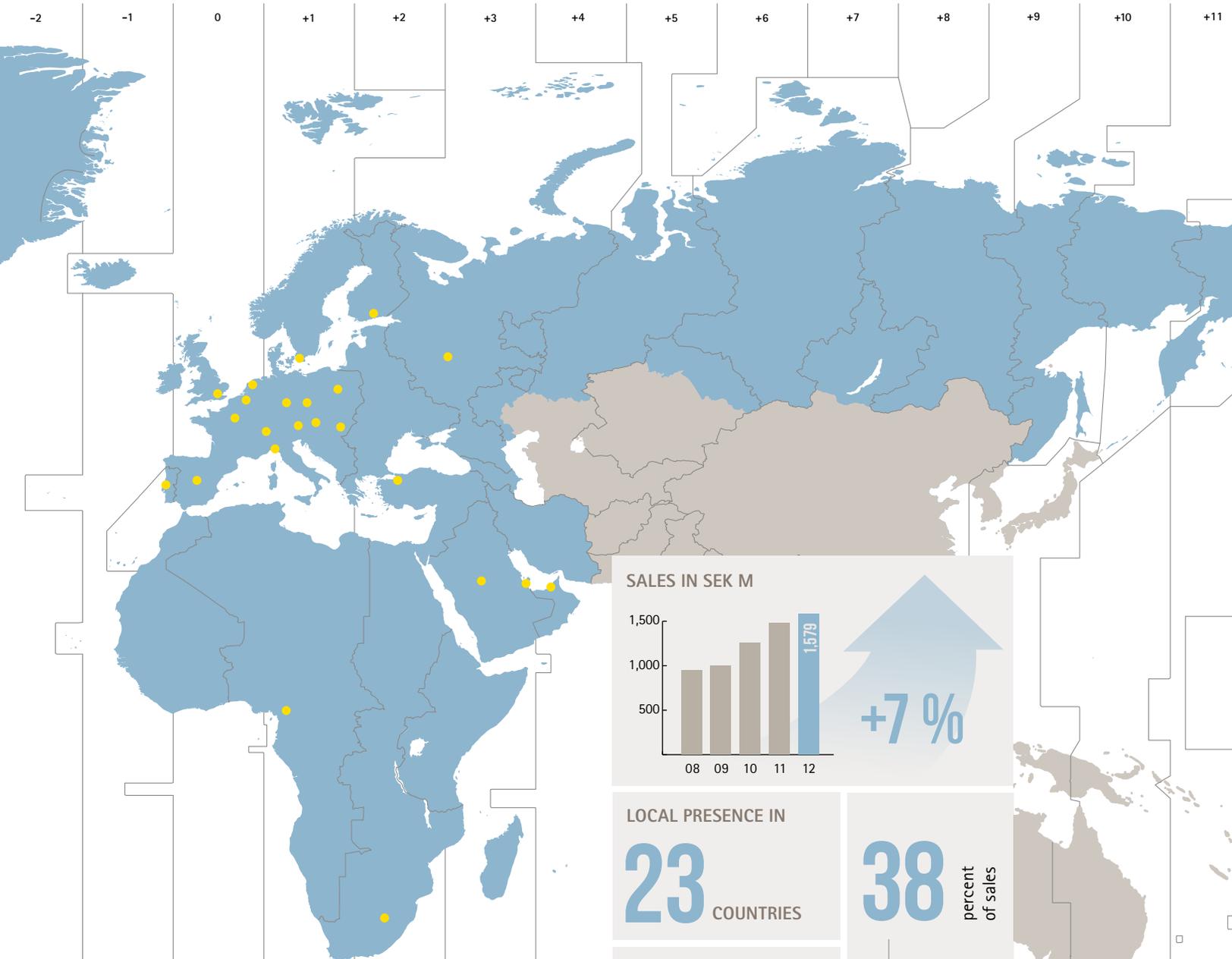
Demand for network cameras is increasing in all parts of the region and in most customer segments. Axis' broad product portfolio and a continuing focus on building up strong relationships with partners are important factors behind this positive trend. New products with improved image quality have been well received while interest is growing for solutions for smaller installations and for increased functionality and intelligent applications. Successful efforts have been made in order to expand the partner network. During the fall, major partner conferences were held in the US, Mexico and Canada with over 400 participants. Under the theme "Year of the Partner" and "Year of Education", Axis has focused on further training and certification programs which gathered almost 4,000 participants.

Axis strengthened its market-leading position in the US during the year. The local organisation was expanded by 33 new employees. With 160 employees, Axis has been established in the entire country for a number of years. Demand has continued to increase in the largest segments – education and transport. Interest is also growing in retail where Axis delivered surveillance systems during the year to national players in both the US and Canada. In Canada, public sector installations showed particularly good growth. Sales in Mexico and Central America were mainly driven by Axis' major investments in the region. The positive trend was explained by increased demand in retail and transport, among other segments.

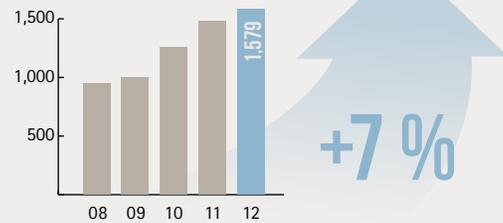
Interest in and acceptance of network video in South America is increasing rapidly. During the year, Axis established a presence in Peru, and already has presence in Brazil, Argentina, Chile and Colombia. Brazil is the largest market in the region and growth of digital surveillance systems is being driven by rapid economic development and future hosting of international sporting events. Demand in the region mainly relates to network solutions for transport and public authorities. Apart from new establishments and organic growth, a large number of market activities were carried out during the year in order to strengthen existing relationships and establish new partner collaboration.



EMEA region in focus



SALES IN SEK M

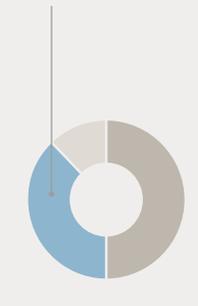
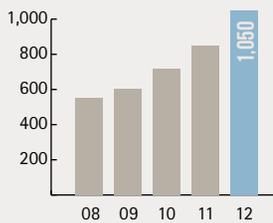


LOCAL PRESENCE IN

23 COUNTRIES

38 percent of sales

NUMBER OF EMPLOYEES



CUSTOMER SEGMENTS IN FOCUS

-  Transport
-  City surveillance
-  Banks

A woman with long dark hair, wearing a white shirt, a dark jacket, and light-colored trousers, is walking through a modern, multi-level shopping mall. She is carrying several shopping bags, including a large brown one and a smaller pink one. The mall has a polished floor that reflects the lights, and there are glass railings on the upper levels. In the background, there are various shops and a large advertisement on the wall.

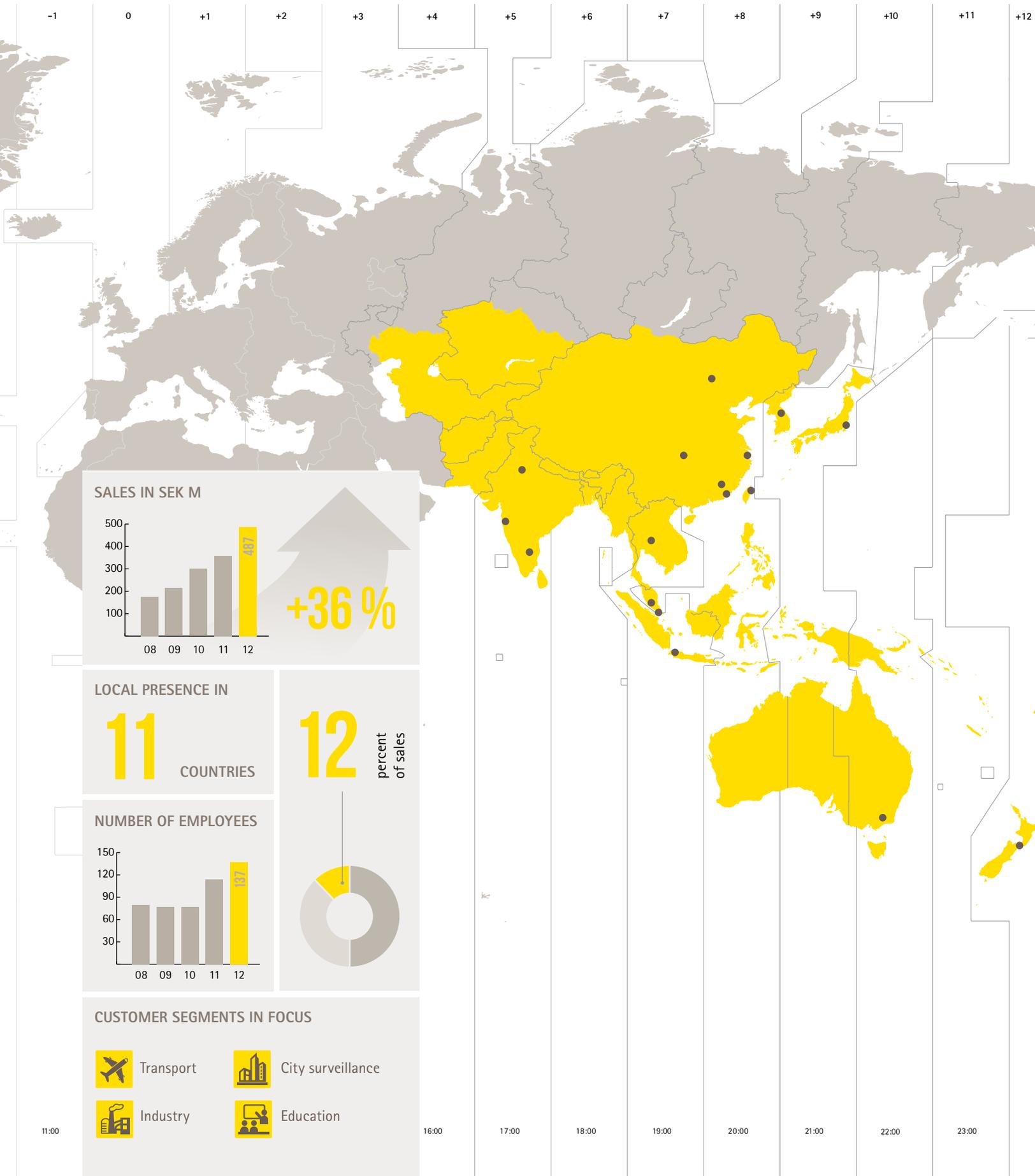
STABLE TREND IN A MULTI-FACETED MARKET

Axis has for a long time enjoyed a strong position in the EMEA region, which consists of markets with different laws, structures and economic conditions. Axis' well-spread presence in the entire region provides good knowledge about local conditions and growth opportunities. By adapting resources and efforts on the basis of unique market needs, relationships with all stakeholders in the value chain are strengthened. Despite economic uncertainty in large parts of the region, interest in network security installations is growing. During 2012, sales increased by 7 percent. Axis has a local presence in 23 countries throughout the region.

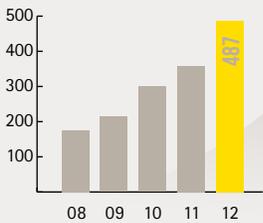
In Europe, the financial uncertainty has mainly affected Southern Europe. However, mature markets in Western and Northern Europe are showing stable demand and growth is still strong in Russia. In the Northern European markets, demand was particularly good in the transport and retail segments during the year. The market is showing increasingly strong interest for network video in smaller installations. In the UK, which is today dominated by analog installations, interest in and acceptance of digital systems is continually increasing. The need for better image quality and more professional solutions is driving the technology shift at a rapid rate. During 2012, Axis strengthened its leading position in Russia and sees good opportunities for a continued positive trend in the country. The countries in the Middle East have a high degree of IT maturity which is benefiting demand for network systems. Digital solutions are dominant in new installations. With products developed to meet local conditions such as extreme heat, Axis has good potential to take advantage of future growth in the region. In Africa, Axis has continued to build up strong relationships with partners and local expertise about various end customer segments.

In order to further boost its market presence, Axis organised and participated in a large number of trade fairs and market activities during the year across the entire region. Training and exchange of knowledge with partners continually takes place in all markets within the framework of Axis Communications Academy. The strong partner network continues to grow, particularly in the emerging economies in the Middle East, Eastern Europe and Africa.

Asia region in focus



SALES IN SEK M



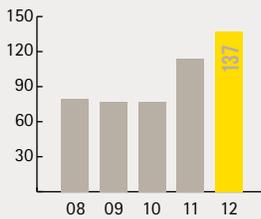
+36%

LOCAL PRESENCE IN

11 COUNTRIES

12 percent of sales

NUMBER OF EMPLOYEES



CUSTOMER SEGMENTS IN FOCUS

-  Transport
-  City surveillance
-  Industry
-  Education



RAPID DEVELOPMENT IN AN EXPANSIVE MARKET

Asia region has been characterized by economic growth in recent years. The region includes a large number of countries with different cultures and social conditions. Demand for Axis' products is mainly driven by major investments in infrastructure and new construction as well as increased security needs. In 2012, sales increased by 36 percent. Demand for professional and flexible network solutions is expected to continue to grow rapidly in the next few years. Axis is continually strengthening its local presence and during the year opened new offices in Bangkok, Mumbai and Jakarta, among other places.

Interest in digital surveillance systems is growing right across the region. Demand is still strong in retail and city surveillance, but the high growth rate in recent years was driven by a rapid technology shift and increased demand in most customer segments. The Chinese market is characterized by a strong urbanization trend and increased prosperity. The country is expected to become an increasingly important market and Axis has strengthened its presence during the year through a high recruitment rate and new collaboration with partners. The performance in Australia is still good and successful investments were carried out during the year in retail and city surveillance.

New accessories for simpler and safer installations have had a positive effect on Axis' sales of network products intended for outdoor use. The AXIS P12 series, which was released after the summer and is intended for concealed surveillance, has generated considerable interest, particularly in the bank and retail segments. Interest is also increasing for Axis' solutions for smaller installations.

Asia region is characterized by tough competition from both international groups and local companies specialized in network video. During the year, Axis carried out substantial investments in order to continue to strengthen the partner network, boost its presence and train system integrators and end customers. AXIS Network Video Solutions Conference was organized in nine cities around the region with over 2,000 participants and partners. Axis also introduced its global certification program in Japan.



Customer segments



RETAIL

Interest in network video is increasing rapidly in the retail segment. Intelligent applications in Axis' network cameras are contributing to systems that improve security and boost commercial benefit for the end customer. AXIS Camera Companion and AXIS Video Hosting System are network solutions which are focused on smaller installations, offering users flexible surveillance solutions with commercial functionality.



TRANSPORT

The need to counter vandalism, personal theft and threats is increasing in public transport systems throughout the world. Digital solutions are scalable and are well-suited for surveillance of trains, buses, traffic routes and airports. Installations in transport are often complex and contain a number of different network cameras with various functionalities such as heat detectors, perimeter protection and technology for surveillance in poor lighting conditions.



BANKS

Axis' solutions ensure security for customers and employees in banks and exchange offices. Very small network cameras with HDTV quality adapted for surveillance in automatic teller machines and other concealed areas, enable identification in the event of a crime and create a safer working environment.



CITY SURVEILLANCE

The global urbanization trend is producing an increased need for safe and secure urban environments for millions of people. Axis' network solutions are today found in more than 500 cities. These solutions contain products that endure vandalism and tough weather conditions. Axis has established a group with specialist knowledge in this segment in order to better understand and meet market needs.



INDUSTRY

Digital solutions are used to monitor assets and streamline processes in factories, warehouses and on building sites. Strict demands are imposed so that systems can cope with tough external conditions, large surveillance areas and poor lighting conditions.



EDUCATION

A safe and secure school environment should be something natural. Axis' network solutions enable simple installations and scalable surveillance systems in schools, universities and other educational organizations. The surveillance cameras contribute to reduced vandalism, less theft and create a safer environment for teachers and students.



HEALTHCARE

Axis' network cameras improve security for personnel and patients. The possibility of remote-controlled camera surveillance of patients streamlines day-to-day processes and resource management while serving as an important tool for personnel to obtain rapid information in the case of emergency alarm. Axis' cameras also make it possible for students and employees to follow advanced operations via a remote link for educational purposes.



CRITICAL INFRASTRUCTURE

Digital video surveillance is a cost efficient way to boost the level of security for operators of critical infrastructure. Axis' network cameras make it possible to detect and identify unauthorized persons while ensuring operation and production. On account of the critical importance of every production unit, strict demands are made on Axis' solutions as regards reliability, functionality and security.

A safer and more secure everyday life

Axis' products are used in most sectors and customer segments throughout the world. Understanding of market needs is increasing in line with the growing customer base and global expansion. With a starting point in creating a safer, smarter and more secure everyday life for customers, the work on offering the market's most efficient and professional solutions is continuing.



MANSFIELD UNIVERSITY
MANSFIELD, PENNSYLVANIA, USA

Mansfield University integrates access control with Axis network video

The university is increasing the security for student residents by integrating smart entry card solutions with network video.



SAN FRANCISCO 49ERS, CANDLESTICK PARK, SAN FRANCISCO, USA

The San Francisco 49ers are upgrading their analog cameras with Axis video encoders

Through an improved surveillance system, security is boosted for spectators and employees.



SOLESA, SOLAR ENGINEERING
POIRINO, ITALY

Axis' cameras provide safe surveillance of solar cell plant

Soleisa is using Axis' thermal cameras to protect and monitor its solar cell plant.



POSTO TÚLIO GAS STATIONS
BRAZIL

Gas stations in Brazil improve operational efficiency using Axis' cameras.

Posto Túlio operates gas stations in Brazil. The company is the first in its industry to use cameras to monitor the traffic flow at stations and streamline its operations.



RUUKKI
RAAHE (OULU), FINLAND

Video encoders and decoders from Axis facilitate the shift to a digital surveillance system

Ruukki is modernizing the surveillance system at its plant in Raahe, Finland.



STELLENBOSCH UNIVERSITY
STELLENBOSCH, SOUTH AFRICA

Safer education with network cameras

Axis' solutions are contributing to a safer campus at Stellenbosch University.



DONGFENG YUEDA KIA
YANCHENG, CHINA

More efficient and intelligent systems

Axis is helping Dongfeng Yueda Kia to install a new network surveillance system.



BAIBOONLAMPUN SCHOOL
LAMPHUN PROVINCE, THAILAND

Increased security in Thai school with Axis' products

An integrated security solution which enables a safer school environment.



ROYAL TERA, HOTEL
NOUMEA, NEW CALEDONIA

Royal Tera uses Axis' network video

Discrete and efficient surveillance helps to create a safer everyday life for guests and employees.

Scalable model for continued growth

The successful growth and global expansion in recent years have occurred in close collaboration with partners worldwide. With a clear business model founded on loyalty and exchange of knowledge, value is created for all stakeholders in the value chain and the best possible solutions for the end customer.

The indirect sales model is a cornerstone of Axis' strategy. Through a large network of strategic partners, a unique customer offering is created with specialist expertise in each stage of the process. Sales of Axis' products take place via distributors that sell on to system integrators and resellers that in turn sell to end users.

Stage 1: Distributors with global strength and local presence

The first stage in the business model is Axis' sales to two or three selected distributors in each country. By collaborating with both global companies such as ADI, Anixter, Ingram Micro and Azlan/Techdata, and local players in each country, comprehensive distribution channels are ensured, while dependence on individual players is limited. The distributors are typically larger players in the IT, cable or security industry with well developed sales channels and flexible handling processes. The distributors stock the products and also cover credits to system integrators and resellers. Axis has also developed cooperation with storage partners in order to strengthen the offering of video surveillance as a cloud-based service – mainly targeted towards smaller installations.

Stage 2: Partners meet end customers

System integrators and resellers are the partners that meet the end customers. These partners handle installation and integration of Axis' security solutions and possess critical knowledge about local markets

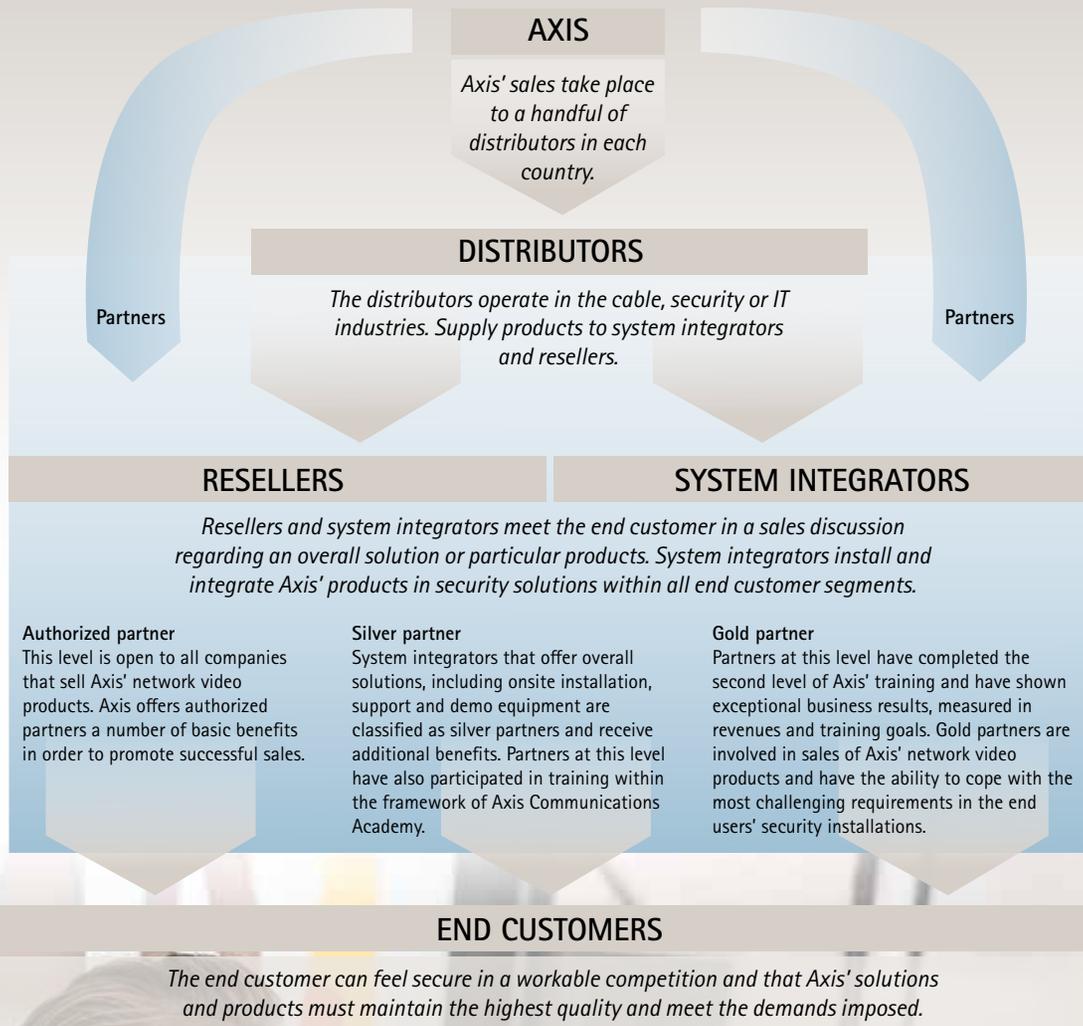
and customer segments. Axis' sales organization works very closely with these partner companies and provides support, specialist knowledge and skills transfer throughout the entire sales process. The number of system integrators and resellers in the different countries varies depending on the degree of maturity of the particular country.

Loyalty in every stage

The business model guarantees scalability and proximity to customers while maintaining efficiency in the organization. Meanwhile, the structure is built on loyalty and no partner has an exclusive agreement with Axis. This ensures that end customers can feel secure in a workable competition and that Axis' solutions and products must maintain the highest quality and meet the demands imposed.

Stable basis for future growth

Continued growth and a market-leading position are based on maintaining product leadership and global expansion. Meanwhile, the development potential is greater in certain markets and in specific customer segments. A well-developed network of partners with a strong presence in local markets and good knowledge about local trends and needs, means that Axis is well-positioned to take advantage of these opportunities. The hard-to-copy business model is one of the group's most significant competitive advantages.



A strong partner network

In collaboration with more than 55,000 partners in 179 countries, Axis creates a good basis to offer the best solutions in network video to customers around the world. A continuous exchange of knowledge provides valuable insights into global trends and local opportunities. Structured programs and training build loyalty, knowledge and successful relationships.

The market's strongest network

Partners have always played an important role in bringing Axis' products to the market. Together with a global network of distributors, system integrators, resellers, software developers, technology suppliers and consultants, Axis meets the market's growing need for professional and innovative network solutions.

The partner network is a strong contributory force in the shift from analog to network video surveillance. Axis is continuing to develop the network in order to drive the technology shift in all customer segments. Specialist competencies have been established in prioritized end customer segments such as retail, transport, city surveillance and critical infrastructure. Our global presence has been strengthened by developing existing collaboration with partners and continually broadening the network with new players.



Collaboration for a faster technology shift

Training and focused programs are fundamental aspects in the work to meet each partner's unique needs, but the full potential of the business model is best harnessed by combining the collective knowledge and expertise of all of Axis' partners.

During 2012, Axis organised the Axis Channel Convergence Conference for key partners in each region. Under the theme "Partnering for the future. Building solutions today" a discussion took place about how collaboration can be advanced further. Offering partners the opportunity to exchange experience, ideas and visions is an important part of the work on strengthening the business model and ensuring effective knowledge transfer. A continually growing network means that Axis' products are shown and marketed by partners on a daily basis at large trade fairs and other important meeting places with end customers.

Axis' partner strategy – open, transparent and persevering

Based on a well-established process, Axis has developed a partner program that provides partners with tools, service and training in order to meet specific customer needs. There are three levels in the program with clear benefits and requirements aimed at strengthening mutual loyalty and creating long-term relationships.

- > Partner: Covers all partners that meet Axis' commercial and legal requirements. Basic service and tools are offered via Axis' extranet.
- > Silver partner: Covers partners that successfully satisfy the needs of end customers. Axis contributes resources for marketing and sales support, among other things, for the purpose of boosting sales.
- > Gold partner: These partners contribute significantly to Axis' sales and development. Strong relationships build long-term collaboration, where Axis continually provides partners with unique skills, service and benefits.

Axis Communications Academy

The training program Axis Communications Academy instructs partners in the benefits of network video. During 2012, a large number of people participated in classroom-based training and webinars. The training programs cover various levels and directions depending on previous knowledge and needs. There are more than 70 trainers within Axis' global sales organization. Participants receive tools and know-how in their native language about network video and Axis' solutions throughout the entire sales chain from demonstration to installation and support. The training is based on the great knowledge that Axis possesses about the market and is designed to meet the issues facing customers in choosing a network security solution and products from Axis' offering. To date, more than 30,000 people have been trained within the framework of Axis Communications Academy.

Global certification program in network video

Axis Certification Program was introduced in 2011 in order to ensure a good level of knowledge among partners and resellers. This is a global certification program aimed at establishing an industry standard in network video. In order to become an Axis Certified Professional industry knowledge is required within system design and the Axis Network Video Exam must also be passed. The test is conducted at an authorised independent institution. Since its introduction, the program has been successfully introduced in various parts of the world. More than 800 people have been certified since the program was introduced.



REWARDING LOYALTY

Gold partner

GROWING BUSINESS

Silver partner

OPEN FOR ALL

Partner

1984
Axis was founded with a distinct two-tier business model.

AXIS PARTNER PROGRAM

1990

AXIS ACADEMY

1996
The world's first network camera was released.

2000
Application Development Partner (ADP) program was introduced for software developers.

2002
Channel Partner Program was introduced for system integrators and resellers.

2000

2008
Architecture & Engineering (A&E) Program was introduced for consultants.

2009
Technology Partner Program was introduced for technology developers.

2010

2005
Axis Communications Academy was introduced.

2012
More than 800 individuals certified. 30,000 people trained.

2011
Axis Certification Program was introduced.

Collaboration for a faster technology shift

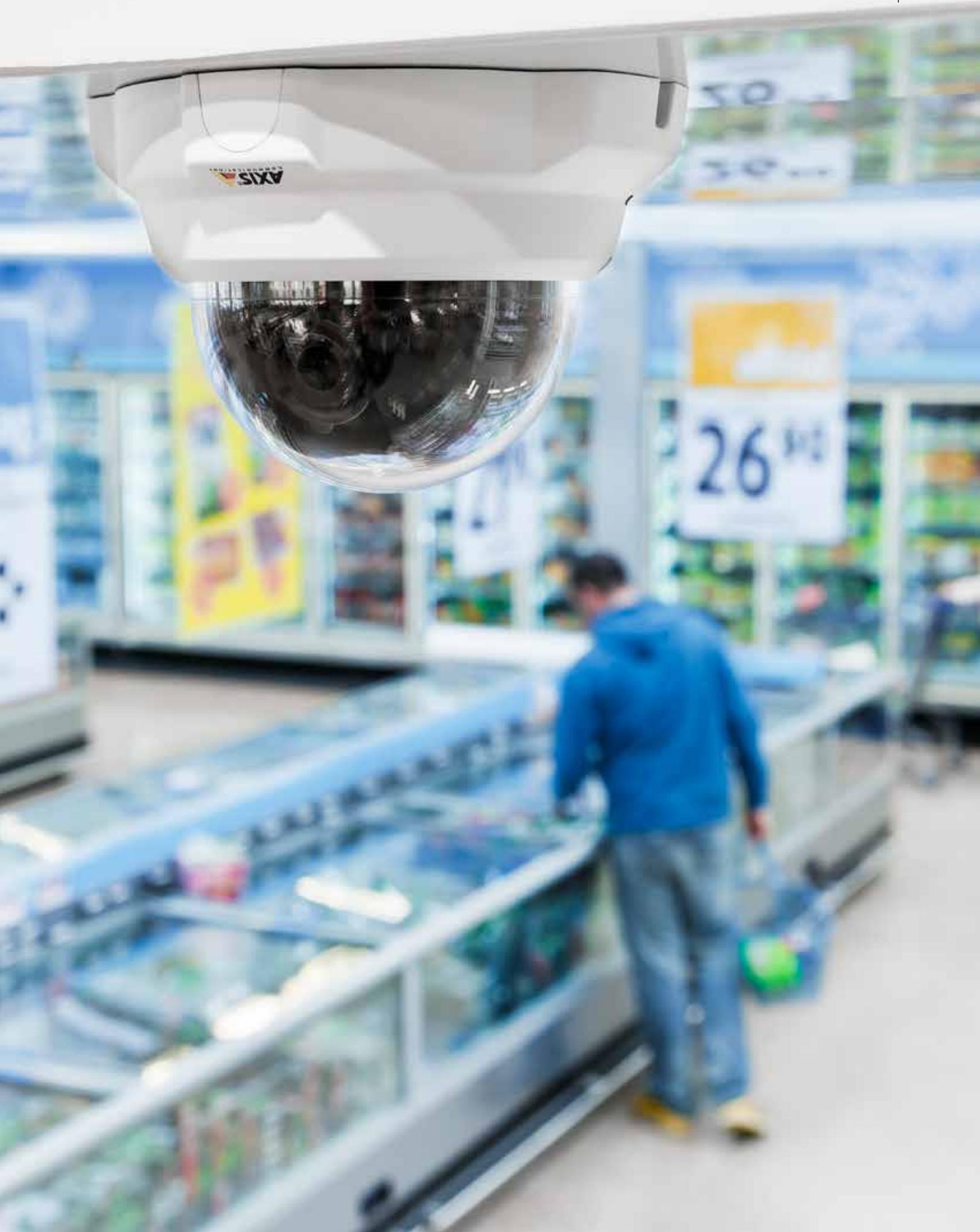
Axis rapid growth and global expansion occurs in close collaboration with partners. An important focus during the year has been on accelerating the technology shift to network video in smaller installations. Together with Tyco Integrated Security and EMC, a specially adapted offering was released during the fall of 2012 for small systems in the American market.

The US system integrator Tyco Integrated Security offers a video surveillance service where another Axis partner, EMC, has a key role. Tyco's solution is based on Axis Video Hosting System, which is a cloud-based service that is ideal for small installations. Instead of recording and storing video locally, customers gain access to the image material in their computer or cell phone via Internet. Tyco is responsible for system maintenance and storage of recorded video via a service provider. Customers only pay for the video storage they need. The system is both easy to use and cost-efficient.

Axis, Tyco and EMC have collaborated closely in order to develop the new service and get it ready for release. It is currently being introduced in various end customer segments in the US, especially for customers in the healthcare, bank and retail segments. Axis also collaborates with Tyco in order to train their sales people in network video surveillance.

Axis Video Hosting System represents the link which connects the three leading technology suppliers with each other – Axis in video surveillance, EMC in data storage and Tyco in system integration.





Products for increased growth

The market for video surveillance continues to be characterized by rapid change with users that are imposing increasingly strict demands on greater functionality and improved technology and quality. As technological leader, Axis is driving the shift from analog to digital video surveillance with products that are contributing to a smarter, safer and more secure world.

A strong contributory factor to Axis' market-leading position in network video is the ability to advance the established product portfolio while releasing new product series. During 2012, a total of 36 new products were released, of which a number were unique, innovative and strategically important network cameras. The work on further improving image quality has continued and this focused investment has also given Axis a leading position in this field. Meanwhile, new solutions were introduced in order to boost network video penetration in the rapidly growing market for smaller installations. In order to further strengthen the customer offering, accessories have become an increasingly important product area. By offering customised solutions that simplify and quality assure the installation, Axis boosts commercial benefit for partners and end customers.

New innovative products

As the leading technology player in network video and through a rapid rate of innovation, Axis is creating new trends and market needs. With a focus on quality, technological development and long-term relationships with technology partners, the company is continually developing new offerings in network video surveillance.

The high release rate of new products remains unchanged. During the year, the AXIS M30 series was released – an entirely new series of network cameras offering professional and cost-efficient solutions for stores, schools and offices where price and image quality are critical aspects. The product portfolio was also expanded with an entirely new and unique camera series, the AXIS P12 series, which facilitates installations in very small areas. They are exceptionally small cameras

with HDTV quality, adapted for advanced surveillance, for example in automatic teller machines, banks and stores.

Development of existing product portfolio

An important part of the product strategy is to advance existing product series. Successful products are continually improved with new functionality and technology. Axis now offers HDTV technology in all product series. During 2012, considerable focus lay on introducing advanced technology for improved image reproduction

During 2012, a total of 36 new products were released, of which a number were unique, innovative and strategically important network cameras.

further throughout the product portfolio. Axis' award-winning Lightfinder technology, which provides sharp color images even in very poor light, has been released in a number of products. During the year, several network cameras were also equipped with Wide Dynamic Range, which supports surveillance in areas with both poor and very strong light concurrently. Effective implementation of the latest technologies throughout the entire product portfolio offers end customers in all segments rapid access to the latest technology.

Strong offering for smaller installations

While network video has become the natural choice in larger camera installations, the market for smaller systems is still largely dominated by analog technology. At present, network video cameras are estimated to represent about five to ten percent of total surveillance camera sales in smaller installations. There is huge growth potential for network video in this segment. Through customized and cost-effective offerings, Axis sees great opportunities to drive the shift from analog to digital camera surveillance.

PRODUCTS RELEASED DURING THE YEAR

During the year, Axis released more than thirty innovative network video products. For more information, visit www.axis.com and select Products. Some examples of releases are listed below.

NETWORK CAMERAS

AXIS Q60-C Series
AXIS Camera Companion
AXIS P335x/P336x
AXIS M1143/44-L
AXIS P3364-LV/LVE
AXIS Q87-E Series

AXIS M1013/14/33/34/-W
AXIS P12 Series
AXIS P135x
AXIS M30 Series
AXIS P3384/-E

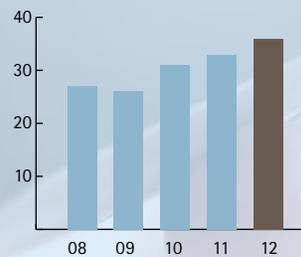
VIDEO ENCODERS

AXIS Q7424-R Video Encoder
AXIS Q7411 Video Encoder

ACCESSORIES

AXIS T8414 Installation Display
AXIS T98A-VE Surveillance Cabinet
AXIS T8123-E/AXIS T8124-E Outdoor Midspans
AXIS T8120 Midspan
AXIS T8640 Ethernet over Coax Adaptor PoE+
AXIS T8129 PoE Extender
AXIS T91A04 Camera Holder
AXIS T91A05 Camera Holder

NUMBER OF PRODUCTS RELEASED 2008-2012





AXIS P12 series features extremely small high performance cameras developed for discrete surveillance. The unique and functional design enables them to easily blend into various environments. The cameras are ideal for surveillance in stores, banks, automatic teller machines and hotels.

AXIS Camera Companion was released in April 2012 and is a digital HDTV solution for installations with up to eight cameras. The system is based on a free software client which is used during installation of Axis' network cameras and video encoders equipped with a SD card. Each individual camera is an intelligent and independent unit for recording and storage of video. Through applications developed by Axis and its technology partners, handling of video material is enabled via the local network or via Internet, for instance using a computer, smartphone or tablet. AXIS Camera Companion is ideal for stores, offices, gas stations and other smaller businesses that want to have cost effective camera surveillance with high image quality.

There is considerable interest for video surveillance as a cloud service and Axis offers AXIS Video Hosting System as an ideal solution, for example for security operators. Operators are given the opportunity to offer a cloud-based professional service for smaller solutions and arrange handling of storage, Internet access and administration.

Accessories for increased security and efficiency

One of Axis' strengths lies in the variety of supplementary products and services that underpin the overall offering. During the past year, a number of products were introduced for the purpose of simplifying installations

and ensuring effective system handling, such as AXIS T98 Surveillance Cabinet, AXIS T8640 and Coax Adaptor. A broadened accessory portfolio is a natural part of the work on strengthening customer relationships, integrating with partners and boosting the attractiveness of Axis' offering.

New possibilities for end customers

The work on continually offering new and attractive solutions for end customers is constantly ongoing. There is a clear demand for overall solutions and greater functionality in the camera. Today, it is not only a matter of identifying individuals and objects in an image afterwards, but being able to generate effective realtime information about the area under surveillance. In collaboration with partners, intelligent applications are developed in order to strengthen the offering towards different customer segments. Applications such as customer counters and heat maps offer the retail segment new opportunities to boost commercial value through a better understanding of consumer purchasing behavior. The functionality to quickly detect motion and incidents in defined areas and automatically alarm the user, contributes to improved security for customers, for instance in critical infrastructure and transport. The possibility of integration with existing business and security systems, boosts the added value of Axis' offering and new opportunities are created for the end customer.

High quality in all stages

With a focus on efficiency and quality throughout the entire supply chain, the production process is continually adapted and flexible solutions are found in order to maintain profitable growth. During the year, a new production unit was added in Mexico in order to ensure product supply to the American market.

A well-structured production and logistics process is a critical factor in guaranteeing Axis' quality standards. Axis manages risks, promotes corporate responsibility and builds long-term relationships with its suppliers in order to increase the group's global strength and satisfy customer demands for quality, flexibility and delivery security.

Flexible production process

Production of Axis' products takes place at carefully selected suppliers around the world. Axis' strategy is to account for more than 5 percent but less than 25 percent of each supplier's sales. This ensures a strong commitment among suppliers while allowing Axis the possibility of adjusting production as required. Applying short and stable delivery times imposes strict demands on Axis and its subcontractors. It must be possible to rapidly adjust the production system to changes in demand, new products and forecast inflow of new orders.

Long-term collaboration

Axis' responsibilities and undertakings throughout the value chain are based on good business ethics, exchange of knowledge and commitment. Through long-term and close collaboration with suppliers, loyal relationships are secured. This has clear beneficial effects for Axis' customers through increased product quality and reliability in deliveries.

Successful crisis management

The natural disasters that affected Japan and Thailand in 2011, meant that Axis' ability to handle extensive production disruptions was tested. Through close collaboration with contract manufacturers and a flexible production structure, Axis could successfully limit the effects of the disasters and fulfill its delivery commitments. Production could also be resumed after a short time in the affected production units thanks to well-developed emergency preparedness among suppliers. Axis works with built-in risk management throughout the entire production chain and is prepared to handle potential future disruptions.

New strategic production in Mexico

At the end of 2012, production commenced at a new production unit in Mexico. The unit is a strategically important supplement to existing production units in Asia and Europe. The Mexican unit is an important step as part of the company's ambition to achieve shorter lead times, reduced environmental impacts and production flexibility. This will improve the supply of products and strengthen Axis' presence in the American market while enabling production and final configuration closer to end customers.

Strict demands on Axis

Axis strives to be a correct and stimulating partner when collaborating with selected suppliers and shall contribute as follows:

- > Participation. Axis contributes technological skills locally in the start-up phase in order to ensure quality and production demands.
- > Service: Axis operates as a support function through continual dialogue and service.
- > Long-term approach: Axis aims to establish loyal and stimulating collaboration where quality, reliability and good working conditions are paramount goals.
- > Development: Axis supports suppliers in their technological development in order to meet current and future demands.

Strict demands on suppliers

Suppliers and production units are continually evaluated in order to ensure quality throughout the entire production chain. Axis imposes strict demands on its suppliers:

- > Quality: It should be possible to guarantee the highest quality throughout the entire production process.
- > Flexibility: Possibility to adjust production through short lead times.
- > Scalability: Ability to boost production in order to meet demand.
- > Financial stability: Strong finances for secure component supply.
- > Certification according to ISO 9000 and ISO 14001.
- > Working conditions: To ensure good conditions of employment, workplace visits are part of the continual evaluation. Suppliers should meet Axis' Code of Conduct, which is based on the UN's Global Compact initiative.

Technological leadership

Since the foundation of the company in 1984, a high rate of innovation and technological leadership have been declared ambitions. Based on today's established solutions and the market's future needs, the systems of tomorrow are developed where upgrading of successful products is supplemented by development of new and unique technologies.

The network video market is also characterized by rapid development and increased demands in respect of quality, functionality and user-friendliness. During the year, Axis' research and development efforts were concentrated on advancing the strategy that was introduced in 2011. While existing and successful product series were improved, the product portfolio was supplemented with new innovative solutions.

Technological leadership through the right focus

Through focusing successfully on development of today's key products as well as solutions for future needs, Axis is well-positioned to retain its position as technological leader in digital surveillance. Technological leadership is a key factor for Axis to be able to maintain its market-leading position in network video. In 2012, approximately 15 percent of sales were invested in research and development. In total, more than 500 employees work in the area. The close collaboration with partners provides good knowledge about current trends and expectations and helps ensure that the research and development work can be focused in the right direction. The long-term development work is also reflected in the advancement of technological platforms based on Axis' proprietary ARTPEC chip. During the year, a fourth version of ARTPEC was introduced that markedly improves image quality and enables new functionality and tools for intelligent video analysis.

Clear strategy

During 2011, a three-year plan was launched in order to further strengthen the company's position as a technology leader in network video. As part of the process of improving existing products, Axis introduced advanced technology more broadly into the product portfolio during 2012. Market-leading technologies for better resolution, color

reproduction and light sensitivity were released in several product series and major resources were invested in further improving image quality. Axis is today a leading player in this area. A number of product series with new functionalities and design have been developed in order to meet segment-specific needs.

Challenges become opportunities

The network video market is growing rapidly on all fronts and the technology shift from analog to digital systems is continuing at the same rate. This means that Axis must continually identify the markets and customer segments that have the greatest growth potential, scalability and strategic importance. To transform challenges into opportunities requires:

- > Flexibility: Adapt products and solutions to new market trends and rapidly changing needs.
- > Courage and innovation: Dare to concentrate on solutions that meet the needs of today and that take advantage of tomorrow's opportunities.
- > Knowledge and market awareness: Identify the markets and customer segments with the greatest potential and strategic importance.

Strategic patents

In today's rapid technological developments, it is becoming increasingly important to protect and strengthen the patent portfolio. During the year, 25 patent and registered design applications were filed with the aim of protecting technological innovations and of ensuring that the major investments in research and development can be protected. Axis respects its competitors' rights and actively monitors its rights in connection with possible patent infringement. At year-end, the portfolio consisted of 143 active patents and registered designs.

In 2012, approx. 15 percent of sales were invested in research and development.



**BROAD
RELEASE OF
NEW IMAGE
TECHNOLOGY**

**NEW SOLU-
TIONS FOR
SMALLER
SYSTEMS**

**CONTINUED
HIGH RATE OF
INNOVATION**

A strong and open corporate culture

Axis aims to recruit, retain and develop the best talent. With a focus on organic growth, major investments are made in order to find the right employees who share Axis' corporate culture, which is based on openness, innovation and development.

As a typical knowledge-based company, Axis builds its success on its employees' skills, experience and commitment. Meanwhile, Axis has a responsibility to be a stimulating, reliable and open employer for over 1,400 people around the world. A dynamic culture and employees with different backgrounds create good conditions for continued growth, attractive working environments and effective knowledge transfer.

Shared core values

The high recruitment rate in recent years has implied challenges when it comes to maintaining the strong corporate culture during an expansionary phase. Established and fundamental core values are important in order to ensure that geographically dispersed employees in various functions work towards common goals. Each individual is given the confidence and freedom to question, take the initiative and assume responsibility. Clear values connect the rapidly growing organisation and promote a dynamic workplace.

A good understanding of the workplace and how individual efforts contribute to the company's development are of great importance for employee commitment and motivation. All new employees, regardless of country and position, undergo introductory training at Axis' headquarters in Lund, Sweden. The participants obtain a good insight into Axis' history, operations and future plans through meetings with senior executives. Newly hired international employees also gain a mentor from one of the functional units at headquarters, which helps to strengthen the exchange of experience and cross-border collaboration.

Exchange of knowledge

In line with Axis' rapid growth both geographically and in terms of the number of employees, great importance is attached to development of teams among employees in different regions in order to facilitate knowledge transfer. A large part of this learning occurs internally. It is essential that new knowledge is effectively utilized and communicated in the organization. Exchange of information occurs within the entire company and at all levels. Communication and collaboration between units and countries is encouraged. The different cultural backgrounds and local knowledge of employees help customers to get the most out of Axis' global network. All new positions are announced externally as well as internally on the company's website and intranet. Internal recruitment helps to ensure competencies, while employee mobility is encouraged within the company.

Initiative for the future

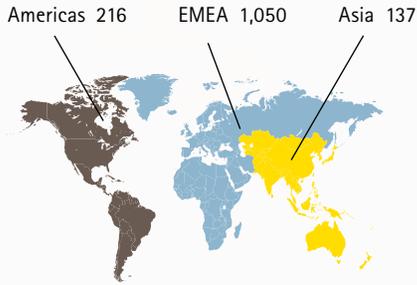
Axis collaborates closely with universities and colleges in order to gain access to the right skills and up-to-date knowledge. Students are offered the opportunity to do practical training as part of their course work and Axis participates in development projects with a number of research groups from various seats of learning around Sweden. Axis contributes funds to two specific research projects at Lund University, focused on development of the global security industry and how various technological strategies drive corporate business activity. Together with colleges, the business community and politicians, Axis works within a number of regional networks with the aim of boosting interest in doing business in the Öresund region. The aim is to attract people with the right skills by offering a competitive corporate climate and an attractive residential environment. Axis is also active within the organization Transfer Teknik, which works to increase secondary school students' interest in technology, science and IT.

A good employer

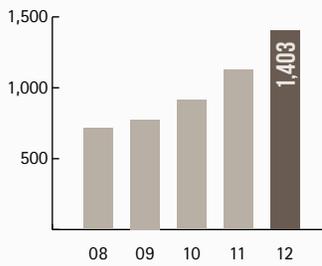
Axis ensures that its employees work in a safe and healthy environment in accordance with international and national legislation. Absence due to illness in the Swedish operations continued to be low during the year and amounted to 2 percent (1.9). Axis aims to offer competitive levels of remuneration. An evaluation tool was implemented for the purpose of conducting surveys about the relationship between basic salaries for men and women and different occupational categories. Axis' Code of Conduct prescribes that all employees are expected to promote, contribute to and uphold the company's values, integrity and responsibilities. The company applies zero tolerance in relation to insults and discrimination and works to promote diversity and equality.

Employees in numbers	2012	2011	2010
Number of employees globally	1,403	1,127	914
Women	373	294	244
Men	1,030	833	670
Average age	38	37	36
Employee turnover, % (persons who left the company)	5.0	7.2	6.4
Employees with university degree, %	78	76	75

NUMBER OF EMPLOYEES PER REGION



NUMBER OF EMPLOYEES 2008-2012



ACT AS ONE!

We are characterized by commitment, taking of responsibility and helpfulness. Together we create the best possible solutions for customers and partners.

THINK BIG!

We are one step ahead with a view to achieving continued growth. As global market leader, we are continuing to drive the trend in network video.

ALWAYS OPEN!

We encourage visionary thinking and new ideas. Through a transparent and open organization we utilize the full potential of employees.

Taking long-term responsibility

For Axis, corporate responsibility means managing the operations and relationships in an open, reliable and consistent way in the three areas of social responsibility, business ethics and environmental responsibility. Since Axis' foundation, questions relating to sustainability have been a natural and important part of the company's operations.

The work on analyzing the usage of hazardous substances in the products began in the mid-1990s. In 2007, an advanced version of the Code of Conduct was introduced and the company signed the UN's Global Compact in the same year. Signature of the agreement implies a commitment to follow international principles within the areas of human rights, labor law, environmental protection and anti-corruption. In 2010, Axis produced its first sustainability report. This year, the focus has been on producing a framework concerning anti-corruption, which includes a training program for all employees.

The Code of Conduct is a fundamental platform

Within the framework of social responsibility, the focus is on employees as well as the impact of the operations on people and society. This is extremely important, not only from a legal perspective, but also since it is in line with Axis' core values and corporate culture. Great responsibility is imposed on employees to act correctly in all business-related situations. The company's Code of Conduct is therefore a natural platform. It emphasizes the fundamental principles according to which Axis conducts its operations and handles relationships with employees, business partners and other stakeholders. All employees are expected to promote, contribute to and uphold the company's values, integrity and responsibilities.

Axis is a rapidly growing company with a local presence in 41 countries, and wants to continue to be an attractive workplace. Successful recruitment is crucial for continued growth and a stimulating workplace is created by acting as a responsible employer.

Environmental responsibility throughout the entire value chain

Axis' environmental responsibility is defined as minimizing direct and indirect environmental impacts. By developing network video products in the most environmentally friendly way, we make it possible for our customers to offer sustainable security solutions to the end customers.

In recent years, life cycle analyses have been carried out on selected products, among other things. The analyses show that a significant part of the environmental impact that occurs during the products' life cycle is related to energy consumption in operation. For example, the amount of energy used by the complex network camera AXIS Q6032-E over ten years is equal to the amount of electricity consumed by a regular 60 W bulb during constant use for approximately 4.2 years. Optimisation of product packaging size is one of the improvements that have been made for the purpose of reducing carbon dioxide emissions. By optimising the packaging design of the Axis Q60 series, the packaging size was reduced by 48 percent. The reduced volume has resulted in more efficient and environmentally adapted transport services.

Business relationships are a long-term responsibility

Business ethics means that Axis works in complete accordance with prevailing legislation. The relationships with business partners and customers are characterized by a long-term responsibility. Strategic suppliers sign a specially produced Code of Conduct for suppliers, which includes environmental and working environment matters, for example. To ensure compliance, continuous follow up of their operations is carried out. Axis has zero tolerance against bribery and corruption. During the year, new stricter export controls have been implemented as well as anti-corruption measures in contracts with distributors. Great importance is also attached to informing partners and resellers for the purpose of ensuring that products are not used in an erroneous manner. Audits were carried out among our suppliers in order to ensure that they share Axis' view of corporate responsibility. Half of the most important suppliers in identified risk countries have been screened according to BSCI's (Business Social Compliance Initiative) definition.

The company's work on these questions is reported in Axis' sustainability report. Information is also available on www.axis.com where the report is published. Axis reports according to the GRI (Global Reporting Initiative) with level C applied.

Sustainability work is, and always has been, a natural part of Axis' operations.

BUSINESS ETHICS

Our operations and relationships with stakeholders shall be conducted in a responsible, open, credible and consistent way.

SOCIAL RESPONSIBILITY

We act with consideration for our stakeholders and shall always contribute in a positive way in each situation.

ENVIRONMENTAL CONSIDERATIONS

We are working to minimize the direct and indirect environmental impact of our operations. We are participating in collaborations which protect and promote the eco system at a local and global level.



Good price trend

Axis' share performed well during 2012 with a rise of 28 percent. The total yield for the year was 32.5 percent. From 1 January 2013, Axis is part of the Large Cap segment on NASDAQ OMX Nordic. Axis was listed on the O list of the Stockholm Stock Exchange in 2000.

The share's development in 2012

During 2012, Axis' share performed better than the stock exchange as a whole. The total market capitalization at year-end was SEK 12,329 M (9,620). The final price paid on December 31, 2012 was SEK 177.50 (138.50). The highest market price, SEK 189, was recorded on March 2. The lowest market price of the year, SEK 134.75 was recorded on June 14. The average price of the share during 2012 was SEK 163 (131.51). During the year, 40 million (36 million) shares were traded, which gave an average turnover of 159,415 shares per trading day, at a value of SEK 26 M. The annual turnover rate amounted to 57 percent of the total number of shares.

Total yield

Total yield refers to the real performance of an equity investment and consists of alteration in price including reinvested dividends. During 2012, the total yield for the Axis share was 32.5 percent. The average annual total yield has amounted to 17.3 percent during the past five years.

Ownership

The number of shareholders amounted to 17,680 persons (16,597) at year-end. Each share in Axis gives entitlement to one vote. The proportion of Swedish-resident shareholders was 95.25 percent (16,841 persons), with a combined shareholding of 79.7 percent. The number of shareholders resident outside of Sweden was 4.75 percent (839 persons), representing a combined shareholding of 20.3 percent. The largest owner countries outside Sweden were the UK, USA and Finland. The proportion of foreign ownership is essentially unchanged compared to 2011.

The largest owners at year-end were Christer Brandberg (Inter Indu) followed by Therese Karlsson (LMK Industri) and Martin Gren (Gren-specialisten). The holdings of the ten largest owners represented 59 percent of the total number of shares. No major new owners have emerged during the year.

Dividend and dividend policy

Axis' dividend policy is to declare a dividend that corresponds to approximately one third of the profit for the year after tax. In recent years, Axis has had a rate of dividend of more than 30 percent. The board of directors proposes a dividend of SEK 5.00 (5.50) per share for the 2012 fiscal year, of which SEK 2.75 constitutes an extra dividend.

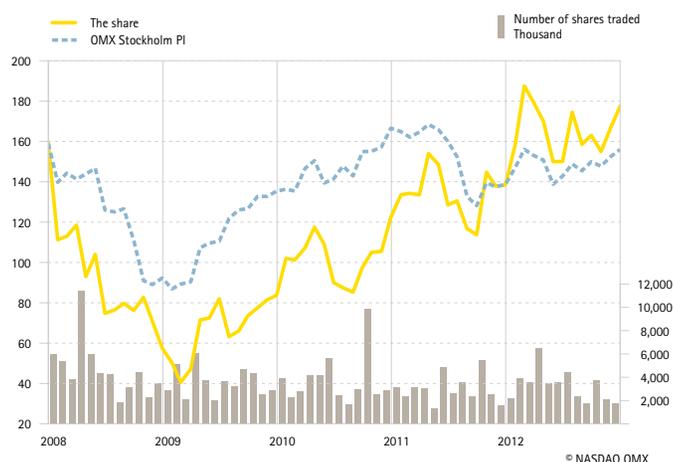
Employee stock option program

Axis has no outstanding stock option programs.

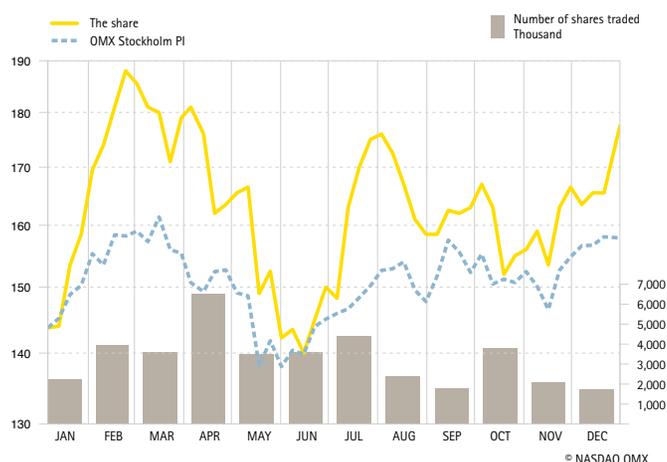
Financial information

Axis' ambition is to continually provide the financial market, owners and other stakeholders with correct, consistent and relevant information with the aim of increasing understanding of the company. Financial information is mainly provided in interim reports, year-end reports and annual reports. Major business transactions are communicated via press releases to the media, capital market and other stakeholders. The published interim reports and the annual report are distributed to shareholders upon request. Press releases, interim reports and the year-end report are available on the website www.axis.com in Swedish and English in accordance with the regulations of the stock exchange.

AXIS SHARE PRICE TREND 2008–2012



AXIS SHARE PRICE TREND DURING 2012



SHAREHOLDERS

	Number of shares	Share capital (%)
Christer Brandberg, via Inter Indu AB*	10,066,667	14.49
Therese Karlsson, via LMK Industri AB	10,000,000	14.40
Martin Gren, via Grenspecialisten AB	7,357,471	10.59
Swedbank Robur Fonder AB	3,356,161	4.83
Handelsbanken Fonder AB	1,985,753	2.86
Total 5 largest shareholders	32,766,052	47.17
Other	36,695,198	52.83
Total	69,461,250	100.0

* Does not include private ownership of 90,290 shares.

TREND IN SHARE CAPITAL

Year	Number of shares	Nominal amount (SEK)	Share capital SEK
2000–2004	68,900,000	0.01	689,000
2005	68,925,000	0.01	689,250
2006	69,252,700	0.01	692,527
2007	69,372,200	0.01	693,722
2008	69,373,700	0.01	693,737
2009	69,375,700	0.01	693,757
2010	69,461,250	0.01	694,612
2011	69,461,250	0.01	694,612
2012	69,461,250	0.01	694,612

OWNERSHIP DECEMBER 31, 2012

Holding	Number of shareholders	Number of shares	Holding (%)	Votes (%)	Market value (SEK '000)
1–500	13,465	2,165,170	3.12	3.12	384,318
501–1,000	2,205	1,887,071	2.72	2.72	334,955
1,001–5,000	1,562	3,597,906	5.18	5.18	638,628
5,001–10,000	192	1,454,199	2.09	2.09	258,120
10,001–15,000	65	806,331	1.16	1.16	143,124
15,001–20,000	27	493,856	0.71	0.71	87,659
20,001–	164	59,056,717	85.02	85.02	10,482,567
Total	17,680	69,461,250	100.0	100.0	12,329,372

DATA PER SHARE

	2012	2011
Profit after financial items, SEK	8.19	9.08
Cash flow, SEK	0.57	0.84
Shareholders' equity, SEK	11.66	11.07
Share price at end of period, SEK	177.50	138.50
Price/equity, percent	1,522	1,251
Dividend, SEK	5.50	4.50
P/E ratio	29	21
P/S ratio	2.95	2.69
Number of outstanding shares (thousands)	69,461	69,461
Average number of shares, (thousands)	69,461	69,461

Analysts

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

ABG Sundal Collier	Anders Hillerborg
Carnegie	Mikael Lasén
Danske Bank	Mikael Holm
Enskilda Securities	Johanna Ahlqvist / Andreas Joelsson
Handelsbanken Capital Markets	Fredrik Lithell
Nordea	Daniel Djurberg
Pareto Öhman	David Jacobsson
Redeye	Greger Johansson
Swedbank	Håkan Wranne

Johan Lundin
Manager Investor Relations





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, 2012–December 31, 2012.

Unless otherwise stated, all amounts are in SEK millions. Information in parenthesis refers to the preceding year.

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Administration report

Operations

Axis is the market leader in network video and a driving force behind the shift from analog to digital video surveillance. Axis offers network video solutions for professional installations featuring products and solutions that are based on innovative and open technology platforms.

Axis is an international company, which acts globally with its own employees in 41 countries and through collaboration with partners in more than 170 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.

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. However, the market development during 2012 was somewhat slower than expected. The growth rate in the market is estimated to have amounted to approximately 15 percent while the long-term rate is in the magnitude of 20–25 percent. With sales growth of 17 percent, Axis thus should have maintained its market shares. During 2012, IMS Research presented its yearly report on developments in the global market for video surveillance equipment. In the report, Axis is ranked number 1 in the broad Video surveillance category, based on market shares. Since 1996, Axis has held first place in the subcategory Network cameras. 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 sales people operate from "home offices" both in established and emerging markets.

A high rate of product development continued throughout 2012. Several new innovative products with better performance and enhanced intelligence were introduced and received positively by the market. In total more than 36 new models and a number of variants of existing models were released. After more than 15 years since the release of the first network camera, the rate of innovation is still high, even within direct camera-related functions, such as image quality. The image improvement technologies for poor light conditions released at the end of 2011, 'Lightfinder' and 'Wide Dynamic Range', were implemented in large parts of the broad product portfolio during 2012. In addition, an entirely unique camera series featuring miniature cameras, the AXIS P12, was released, intended for installation in very small areas such as automatic teller machines and in places where customers do not want the camera to be visible.

During the spring, AXIS Camera Companion was released, which is a digital HDTV solution for smaller surveillance systems. The solution is very easy to install and use. It is built on network cameras and

video encoders with support for a SD card which can independently administer recording and storage of video. The system also consists of a free software client which is used for installation and for using image material. The market for smaller systems is still dominated by analog technology which means that there is very considerable growth potential in this segment.

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 application developers continued during 2012. 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 55,000 companies participated in the various partner 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 its operations and products in order to increase knowledge of their environmental impact. In recent years, life cycle analyses have been carried out 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 improved considerably. The products have also been designed in a more compact way, which reduces material usage and transportation volume.

Research and development

During 2012, 14.6 percent (13.6) of the group's sales were invested in research and development within both hardware and software. Research and development expenses increased by SEK 112 M (86) compared to the preceding year and amounted to SEK 580 M (468). Expenditure on development work totaling SEK 30 M (19) 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 2012.

Axis conducts an active patent strategy in order to safeguard investments in core technology and intellectual capital. During the year, applications for 22 new patent families were filed, chiefly related to camera technology. During 2012, 20 national patents and a number of registered designs were granted. A total of 25 patent and registered design applications were filed. Axis currently holds 143 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 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 slightly higher than in 2011. At the end of the year, the number of employees totaled 1,403, which is a net increase of 276 people since December 31, 2011. Most of the increase took place in sales and marketing as well as in research and development. Of the employees, 866 (718) are employed in Sweden and 537 (409) in other countries.

Financing and cash flow

Axis had a total of SEK 825 M at its disposal on December 31, 2012, of which cash and cash equivalents amounted to SEK 465 M and unutilized credit facilities totaled SEK 360 M. Consequently, Axis is in a very strong financial position approaching 2013. The cash flow from operating activities amounted to SEK 361 M (454). The strong cash flow was mainly due to the favorable operating profit. The strong expansion during 2012 impacted the working capital negatively by SEK 86 M (-119), net. Inventories and other current receivables increased by SEK 128 M and SEK 8 M respectively, while current liabilities increased by SEK 49 M. Net investments for the year totaled SEK 79 M (82) and total cash flow amounted to SEK 40 M (59).

Investments

Investments in property, plant and equipment amounted to SEK 45 M (45), and in intangible assets to SEK 30 M (39). Net investments for the year according to the consolidated statement of cash flows amounted to SEK 79 M (39).

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.

Long-term goals

In light of Axis' stable performance and declared strategic focus on profitable growth, the board has reviewed Axis' financial goals. The

board decided to retain the long-term growth target of 20 percent and the goal of an annual profit margin of at least 10 percent. Meanwhile, it was resolved to eliminate the goal for the long-term equity/assets ratio for the purpose of increasing the company's flexibility and enhancing the possibility of achieving an appropriate capital structure. In the future, Axis will also strive to maintain a good financial position and stability which is adapted to the risk-taking and overall strategy of the operations. The background to the review of the goals is the changes in the financial world, and also in Axis' development and risk profile since the financial goals were established in connection with the listing of the company on the stock exchange in 2000. The goals are:

- > total average annual sales growth of at least 20 percent and
- > a profit margin of at least 10 percent.

Earnings and position

Sales during the year totaled SEK 4,184 M (3,578) which represents growth of 17 percent compared to the preceding year. Currency effects had a positive impact on sales of SEK 91 M. The Video product area, which corresponds to more than 99 percent of sales, increased by 17 percent from SEK M 3,550 to SEK 4,158 M while other sales decreased by 7 percent to SEK 25 M. The gross margin fell slightly but essentially remained at the same level as the preceding year and amounted to 50.3 percent compared to 51.1 percent in 2011.

The group's operating profit amounted to SEK 575 M (633), which is a decrease of SEK 58 M (9 %) compared to the preceding year. The operating margin fell, largely due to a continued high recruitment and investment rate combined with a weaker than expected sales trend, from 17.7 percent in 2011 to 13.8 percent in 2012. Currency effects impacted operating profit negatively by SEK 22 M. Profit before tax amounted to SEK 569 M (631), which is a decrease of SEK 62 M compared to the preceding year.

Condensed income statement, SEK M

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	TOTAL 2012
Net sales, SEK M	881.3	1,043.5	1,079.2	1,179.5	4,183.5
Gross profit, SEK M	439.7	515.1	548.2	600.4	2,103.5
Gross margin, %	49.9	49.4	50.8	50.9	50.3
Operating profit, SEK M	79.1	121.1	168.4	206.5	575.3
Operating margin, %	9.0	11.6	15.6	17.5	13.8
Profit before tax, SEK M	78.4	119.5	166.2	204.5	568.8
Profit margin, %	8.9	11.5	15.4	17.3	13.6

Group key ratios

	2012	2011	2010	2009	2008
Net sales, SEK M	4,183.5	3,577.6	2,933.0	2,300.7	1,974.8
Profit before tax, SEK M	568.8	631.0	412.8	306.7	339.8
Total assets, SEK M	1,789.6	1,617.8	1,278.9	1,118.3	859.3
Equity/assets ratio, %	45.3	47.5	49.0	54.2	51.3
Return on total assets, %	33.8	43.7	34.6	31.2	38.4
Return on equity, %	53.1	66.6	49.3	43.2	49.3
Earnings per share before dilution, SEK	6.15	6.56	4.32	3.10	3.64
Earnings per share after dilution, SEK	6.15	6.56	4.32	3.10	3.63
Shares before dilution, thousands (average)	69,461	69,461	69,406	69,374	69,374
Shares after dilution, thousands (average)	69,461	69,461	69,406	69,423	69,452
Number of employees at year-end	1,403	1,127	914	774	716

Definitions are presented in Note 29.

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 2012, please refer to Note 20, Personnel.

Remuneration to the President and other members of the company management (that is, the eight 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 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 2013) 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 2013).

The retirement age for the President shall be 65. Pension insurance premiums shall amount to 35 percent of the pension-qualifying sal-

ary 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 function. 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. 2012 was characterized by considerable macroeconomic problems in a number of regions. 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' 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.

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. 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 competency 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 now also have product offerings in 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 behaviors 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 potential negative 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

There is still a steady inflow of new projects but the market is affected by the global financial uncertainty. This is currently restricting the growth rate. Axis and external market research institutions still estimate the long-term global growth rate for the network video market at approximately 20–25 percent annually. Important factors for continued strong growth are the trend in emerging markets and increased use of network video solutions in smaller installations. In order to meet market demand and retain its position as the market-leading supplier of network video solutions, Axis will continue to develop and release a large number of innovative products, refine the partner network, recruit more employees and continue to 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 496 M (580).

Proposed appropriation of profits in the Parent Company

The funds at the disposal of the annual general meeting are:

Accumulated profit or loss and other non-restricted reserves	SEK 110,218,135
Net profit for the year	SEK 314,159,525
TOTAL	SEK 424,377,660

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 5.00 per share shall be paid to shareholders	SEK 347,306,250
carried forward	SEK 77,071,410
TOTAL	SEK 424,377,660

The board anticipates a continued positive trend during the 2013 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	2012	2011	2010
Net sales	4	4,183.5	3,577.6	2,933.0
Cost of sold products and services		-2,080.0	-1,750.2	-1,446.7
Gross profit		2,103.5	1,827.4	1,486.3
Other income and changes in value	8	-30.0	19.7	-22.3
Selling and marketing expenses		-747.5	-610.4	-553.6
Administrative expenses		-171.0	-135.8	-113.3
Research and development expenses		-579.7	-467.6	-382.1
Operating profit	5, 6, 7, 8	575.3	633.3	415.0
Financial expenses		-6.5	-2.3	-2.2
Profit before tax		568.8	631.0	412.8
Tax	10	-141.5	-175.3	-113.0
NET PROFIT FOR THE YEAR		427.3	455.7	299.8
Other comprehensive income*				
Cash flow hedges	18	-	-	0.9
Net investment hedge	18	-	-	0.2
Exchange differences	18	-4.1	-1.7	-8.8
Other comprehensive income for the period, net after tax		-4.1	-1.7	-7.7
Total comprehensive income for the year		423.2	454.0	292.1
Net profit for the year attributable to:				
The parent company's shareholders		427.3	455.7	299.8
Total comprehensive income attributable to:				
The parent company's shareholders		423.2	454.0	292.1
Earnings per share, SEK	11	6.15	6.56	4.32
Number of shares, average, thousands		69,461	69,461	69,406
Proposed dividend, SEK		5.00	5.50	4.50

* The items in other comprehensive income above are recognized net after tax. Disclosure is provided in Note 10 of the tax that is attributable to each component in other comprehensive income.

CONSOLIDATED BALANCE SHEET

ASSETS	Note	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Non-current assets				
Property, plant and equipment	5	78.9	68.8	51.7
Intangible assets	5	125.1	112.3	82.6
Other financial assets	15	6.9	5.6	7.1
Total non-current assets		210.9	186.7	141.4
Current assets				
Inventories	13	536.0	410.9	294.2
Trade receivables and other receivables	14	578.2	595.1	477.0
Cash and cash equivalents	16	464.5	425.0	366.3
Total current assets		1,578.8	1,431.0	1,137.5
TOTAL ASSETS		1,789.6	1,617.8	1,278.9
EQUITY AND LIABILITIES				
Equity				
<i>Capital and reserves</i>				
Share capital		0.7	0.7	0.7
Share premium		279.2	279.2	279.2
Other reserves	18	-14.1	-10.0	-8.3
Retained earnings		544.0	498.7	355.6
Total equity		809.8	768.6	627.2
Liabilities				
<i>Non-current liabilities</i>				
Borrowing	19	-	-	1.0
Retirement benefit obligations	20	2.7	2.5	1.0
Deferred tax liabilities	12	83.3	74.3	74.3
Other provisions	21	38.6	25.0	16.6
Total non-current liabilities		124.6	101.8	92.9
<i>Current liabilities</i>				
Trade payables and other liabilities	22	712.1	658.7	537.1
Current tax liabilities		3.1	88.7	21.7
Borrowing	19	140.0	-	-
Total current liabilities		855.2	747.4	558.8
Total liabilities		979.8	849.2	651.7
TOTAL EQUITY AND LIABILITIES		1,789.6	1,617.8	1,278.9
MEMORANDUM ITEMS				
<i>Pledged assets</i>				
		<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>				
	27	6.0	6.0	6.0

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, 2010	0.7	275.0	-0.6	333.3	608.4
Comprehensive income					
Net profit for the year	-	-	-	299.8	299.8
Other comprehensive income					
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
Total comprehensive income	-	-	-7.7	299.8	292.1
Transactions with owners					
New issue on exercise of options	0.0	4.2	-	-	4.2
Dividend in respect of 2009	-	-	-	-277.5	-277.5
Total transactions with owners	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
Comprehensive income					
Net profit for the year	-	-	-	455.7	455.7
Other comprehensive income					
Exchange differences	-	-	-1.7	-	-1.7
Total other comprehensive income	-	-	-1.7	0.0	-1.7
Total comprehensive income	-	-	-1.7	455.7	454.0
Transactions with owners					
Dividend in respect of 2010	-	-	-	-312.6	-312.6
Total transactions with owners	-	-	-	-312.6	-312.6
Closing balance as at December 31, 2011	0.7	279.2	-10.0	498.7	768.6
Opening balance as at January 1, 2012	0.7	279.2	-10.0	498.7	768.6
Comprehensive income					
Net profit for the year	-	-	-	427.3	427.3
Other comprehensive income					
Exchange differences	-	-	-4.1	-	-4.1
Total other comprehensive income	-	-	-4.1	-	-4.1
Total comprehensive income	-	-	-4.1	427.3	423.2
Transactions with owners					
Dividend in respect of 2011	-	-	-	-382.0	-382.0
Total transactions with owners	-	-	-	-382.0	-382.0
Closing balance as at December 31, 2012	0.7	279.2	-14.1	544.0	809.8

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2012	2011	2010
<i>Operating activities</i>				
Cash flow from operations	28	601.9	561.9	477.6
Interest paid		-4.8	-2.2	-1.8
Interest received		0.9	2.5	0.9
Taxes paid		-237.4	-107.9	-85.3
Cash flow from operating activities		360.6	454.3	391.4
<i>Investing activities</i>				
Acquisition of property, plant and equipment	5	-44.6	-44.8	-33.2
Acquisition of intangible assets	5	-29.6	-38.7	-19.6
Acquisition of subsidiaries and operations		-2.4	-	-
Reversed deposits		-2.5	1.5	1.1
Cash flow from investing activities		-79.1	-82.0	-51.7
<i>Financing activities</i>				
New issue		-	-	4.2
Dividend paid		-382.0	-312.6	-277.5
Amortization of loans		-	-1.0	-
Borrowing		140.0	-	1.0
Net effect of derivative instruments		-	-	-2.9
Cash flow from financing activities		-242.0	-313.6	-275.2
Cash flow for the year		39.5	58.7	64.5
Cash and cash equivalents at beginning of year		425.0	366.3	301.8
Change in cash and cash equivalents		39.5	58.7	64.5
Cash and cash equivalents at end of year	16	464.5	425.0	366.3

THE PARENT COMPANY'S INCOME STATEMENT

	Note	2012	2011	2010
Net sales		25.7	14.1	8.1
Gross profit		25.7	14.1	8.1
Administrative expenses		-36.2	-22.4	-11.6
Operating profit	5	-10.5	-8.4	-3.5
<i>Profit from financial investments</i>				
Result from participations in group companies	23	540.4	657.7	327.2
Interest income and similar profit/loss items	24	15.8	4.0	66.9
Interest expenses and similar profit/loss items	25	-7.1	-15.7	-22.3
Profit after financial items		538.6	637.7	368.2
Difference between book depreciation and depreciation according to plan		-1.1	-2.6	-
Provision to tax allocation reserve		-124.8	-197.2	-92.8
Reversal from tax allocation reserve		-	203.6	-
Tax	10	-98.5	-155.6	-74.0
NET PROFIT FOR THE YEAR		314.2	485.8	201.4

THE PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	Note	2012	2011	2010
Net profit for the year		314.2	485.8	201.4
Other comprehensive income		-	-	-
Other comprehensive income for the year, net after tax		-	-	-
Total comprehensive income for the year		314.2	485.8	201.4

THE PARENT COMPANY'S BALANCE SHEET

ASSETS	Note	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Non-current assets				
<i>Intangible assets</i>				
Patents	5	11.9	14.2	-
Total intangible assets		11.9	14.2	-
<i>Financial assets</i>				
Participations in subsidiaries	26	0.7	0.7	0.7
Other financial assets		-	0.1	1.6
Total financial assets		0.7	0.8	2.3
Total non-current assets		12.6	15.0	2.3
Current assets				
Receivables from group companies		982.1	768.1	525.6
Tax receivables		20.0	1.0	-
Prepaid expenses and accrued income		1.8	1.6	0.8
Cash and cash equivalents	16	32.4	155.3	174.9
Total current assets		1,036.3	926.0	701.3
TOTAL ASSETS		1,048.9	941.0	703.6
EQUITY & LIABILITIES				
	Note	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Equity				
<i>Restricted equity</i>				
Share capital	17	0.7	0.7	0.7
Total restricted equity		0.7	0.7	0.7
<i>Non-restricted equity</i>				
Accumulated profit		110.2	6.5	117.6
Net profit for the year		314.2	485.8	201.4
Total non-restricted equity		424.4	492.3	319.0
Total equity		425.1	493.0	319.7
Untaxed reserves				
Tax allocation reserve		474.9	350.0	356.4
Accumulated additional depreciation		3.7	2.6	-
Total untaxed reserves		478.6	352.6	356.4
Liabilities				
<i>Current liabilities</i>				
Liabilities to group companies		0.7	1.1	1.0
Tax liabilities		-	90.5	24.9
Borrowing	19	140.0	-	-
Accrued expenses and deferred income		4.5	3.8	1.6
Total current liabilities		145.2	95.4	27.6
Total liabilities		145.2	95.4	27.6
TOTAL EQUITY AND LIABILITIES		1,048.9	941.0	703.6
MEMORANDUM ITEMS				
<i>Pledged assets</i>				
		NONE	NONE	NONE
<i>Contingent liabilities</i>				
	27	26.1	27.4	NONE

THE PARENT COMPANY'S CHANGE IN EQUITY

	Share capital	Share premium reserve	Accumulated profit	Net profit for the year	Total equity
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
Reversal of net profit for the year	-	-	485.8	-485.8	-
Dividend	-	-	-382.0	-	-382.0
Net profit for the year	-	-	-	314.2	314.2
Equity at December 31, 2012	0.7	4.1	106.1	314.2	425.1

Number of shares as at December 31, 2012 totaled 69,461,250. The par value was SEK 0.01 per share.

At the annual general meeting on April 16, 2013, a dividend of SEK 5.00 per share in respect of 2012 will be proposed. During 2012, SEK 5.50 per share was paid in respect of the fiscal year 2011, and during 2011, SEK 4.50 per share was paid in respect of the fiscal year 2010.

THE PARENT COMPANY'S CASH FLOW STATEMENT

	Note	2012	2011	2010
<i>Operating activities</i>				
Cash flow from operations	28	4.3	-3.1	-6.4
Financial expenses paid		-4.1	-15.7	-22.4
Financial income received		0.0	4.0	66.9
Taxes paid		-207.1	-91.0	-67.8
Cash flow from operating activities		-206.9	-105.8	-29.7
<i>Investing activities</i>				
Acquisition of intangible assets		-	-16.6	-
Cash flow from investing activities		-	-16.6	-
<i>Financing activities</i>				
New issue		-	-	4.2
Borrowing		140.0	-	-
Dividend paid		-382.0	-312.6	-277.5
Group contribution received	23	540.6	600.3	327.3
Shareholders' contribution paid	23	-0.2	-0.1	-0.1
Change in current receivables/liabilities, group companies		-214.4	-184.8	3.8
Cash flow from financing activities		84.0	102.8	57.7
Cash flow for the year		-122.9	-19.6	28.0
Cash and cash equivalents at beginning of year		155.3	174.9	146.9
Change in cash and cash equivalents		-122.9	-19.6	28.0
Cash and cash equivalents at end of year		32.4	155.3	174.9

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 41 countries and through collaboration with partners in more than 170 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 January 30, 2013.

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 2012 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
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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 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 statement, 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)

Financial assets which are held for trading are carried 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.

(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 14 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. Axis has 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 mainly holds lease agreements regarding rent for premises. Payments made during the lease term are expensed in the income statement on a straight-line basis over the period of the lease. For further information about minimum lease payments refer to Note 9.

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 2012, 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 finance policy does not prescribe any hedging requirement. No hedging was conducted during the 2012, 2011 and 2010 fiscal years. Historic exchange rate flows are followed up monthly in arrears.

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 financial policy, the Treasury department may deploy interest rate derivatives to ensure that interest rates are fixed on average for a maximum of 6 months. At the end of 2012, the Group had short-term interest-bearing liabilities of SEK 140 M (0). Borrowing took place in SEK, at a variable rate of interest, based on STIBOR. If the interest rates on borrowing at December 31, 2012 had been 10 basis points (0.1 %) higher/lower with all of variables unchanged, the profit for the fiscal year would have been SEK 0.14 M lower/higher.

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, 2012, SEK 0 M (100) was invested in fixed-interest securities with a maximum term of 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 2012. 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	+/-11
Currency, SEK/EUR	+/-5	+/-29
Procurement	+/-5	+/-77
Personnel	+/-5	+/-49

(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 2012 for some of our customers. These insurance policies were not utilized during 2012.

For risk assessment of trade receivable see the age distributed accounts receivable ledger in Note 14.

(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, 2012, Axis had SEK 464 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 360 M, compared with SEK 425 M and SEK 200 M respectively on December 31, 2011. The interest rate on unutilized credit facilities was determined on December 31, 2012 on the basis of the changes in STIBOR

The unutilized credit facilities of SEK 500 M in total apply until December 30, 2014.

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 2012, 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). Changes in the hedging reserve in equity are shown in Note 18.

(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 2012. 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 2012.

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 2012, 2011 and 2010, there were no derivative instruments.

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. At the end of 2012, 2011 and 2010, Axis had no derivative instruments.

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 an 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 55,000 globally. 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 to 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	2012	2011	2010
EMEA (Europe, Africa, Middle East)	1,578.6	1,479.3	1,259.6
North Et South America	2,117.5	1,739.6	1,373.0
Asia	487.4	358.7	300.4
	4,183.5	3,577.6	2,933.0

Note 5 Non-current assets

2010	Plant and equipment	Improvement measures in leased properties	Total	Capitalized development	Rights/web domains	Total
Accumulated acquisition value						
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	-	-	-
Balance carried forward as at December 31, 2010	183.8	-	183.8	169.7	20.7	190.4
Accumulated depreciation						
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	-	-	-
Balance carried forward as at December 31, 2010	-132.1	-	-132.1	-87.1	-20.7	-107.8
Net carrying amount	51.7		51.7	82.6	0.0	82.6
2011						
	Plant and equipment	Improvement measures in leased properties	Total	Capitalized development	Rights/web domains	Total
Accumulated acquisition value						
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	-	-	-
Balance carried forward as at December 31, 2011	219.5	5.8	225.3	188.9	40.2	229.1
Accumulated depreciation						
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	-	-	-
Balance carried forward as at December 31, 2011	-156.5	-	-156.5	-92.8	-24.0	-116.8
Net carrying amount	63.0	5.8	68.8	96.1	16.2	112.3
2012						
	Plant and equipment	Improvement measures in leased properties	Total	Capitalized development	Rights/web domains	Total
Accumulated acquisition value						
Balance brought forward as at January 1, 2012	219.5	5.8	225.3	188.9	40.2	229.1
Investments	45.0	0.1	45.1	29.6	-	29.6
Sales/disposals	-5.5	-	-5.5	-	-	-
Translation differences	-3.9	-0.3	-4.2	-0.1	-	-0.1
Balance carried forward as at December 31, 2012	255.1	5.6	260.7	218.4	40.2	258.6
Accumulated depreciation						
Balance brought forward as at January 1, 2012	-156.5	-	-156.5	-92.8	-24.0	-116.8
Depreciation/amortization	-33.2	-	-33.2	-13.4	-3.3	-16.7
Sales/disposals	5.2	-	5.2	-	-	-
Translation differences	2.7	-	2.7	0.1	-	-
Balance carried forward as at December 31, 2012	-181.8	-	-181.8	-106.1	-27.3	-133.5
Net carrying amount	73.3	5.6	78.9	112.3	12.9	125.1

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

Note 5 (continued)

Parent company – intangible assets

2010	Rights	Total
Accumulated acquisition value		
Balance brought forward as at January 1, 2010	3.1	3.1
Investments	-	-
Balance carried forward as at December 31, 2010	3.1	3.1
Accumulated depreciation		
Balance brought forward as at January 1, 2010	-3.1	-3.1
Depreciation/amortization	-	-
Balance carried forward as at December 31, 2010	-3.1	-3.1
Net carrying amount	0.0	0.0
2011		
Accumulated acquisition value		
Balance brought forward as at January 1, 2011	3.1	3.1
Investments	16.6	16.6
Balance carried forward as at December 31, 2011	19.7	19.7
Accumulated depreciation		
Balance brought forward as at January 1, 2011	-3.1	-3.1
Depreciation/amortization	-2.4	-2.4
Balance carried forward as at December 31, 2011	-5.5	-5.5
Net carrying amount	14.2	14.2
2012		
Accumulated acquisition value		
Balance brought forward as at January 1, 2012	19.7	19.7
Investments	-	-
Balance carried forward as at December 31, 2012	19.7	19.7
Accumulated depreciation		
Balance brought forward as at January 1, 2012	-5.5	-5.5
Depreciation/amortization	-2.3	-2.3
Balance carried forward as at December 31, 2012	-7.8	-7.8
Net carrying amount	11.9	11.9

Note 6 Costs allocated by type of cost

	2012	2011	2010
Depreciation and impairment (Note 5)	-49.9	-36.5	-41.1
Expenses for remuneration to employees (Note 20)	-852.8	-705.2	-647.5
Cost of purchasing and handling goods for resale	-2,080.0	-1,750.1	-1,446.7
Operating lease costs (rent)	-70.6	-58.5	-52.4
Other external costs	-524.9	-417.7	-308.0
	-3,578.2	-2,968.0	-2,495.7

Note 7 Audit fees

	Group		
	2012	2011	2010
PwC			
The audit assignment	1.2	1.2	1.0
Audit work apart from the audit assignment	0.2	0.5	0.1
Tax consultancy	1.0	1.4	0.5
Other services	0.1	0.1	0.1
	2.5	3.2	1.7
Other auditors			
The audit assignment	1.9	1.4	1.3
Tax consultancy	0.5	0.3	0.1
Other services	0.3	0.5	0.7
	2.7	2.2	2.1
Group total	5.2	5.4	3.8

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		
	2012	2011	2010
Derivative instruments	-	-	19.8
Exchange differences	-30.0	19.7	-42.1
	-30.0	19.7	-22.3

Note 9 Lease obligations

	Group	
	2012	
	Minimum lease payments	Of which premises
Leasing within 1 year	63.8	59.2
Leasing between 1 and 5 years	215.2	204.7
Leasing more than 5 years	5.2	-
	284.2	263.9

Relates to operating leases pertaining to normal agreements for the operations within stated range regarding non-terminable leases and other operating leases. Most lease agreements regarding premises contain terms and conditions that give the right to extend the lease in question during a predetermined period, and do not contain any transfer of right of ownership in the property at the end of the term or any economic benefits regarding appreciation in value of the leased property.

Note 10 Income taxes

	Group			Parent Company		
	2012	2011	2010	2012	2011	2010
Current tax	-132.5	-174.9	-89.5	-98.5	-155.6	-73.2
Deferred tax	-9.0	-0.4	-23.5	-	-	-0.8
	-141.5	-175.3	-113.0	-98.5	-155.6	-74.0
Recognized profit before tax	568.8	631.0	412.8	412.7	641.4	275.4
Theoretical tax (26.3 %)	-149.6	-166.0	-108.6	-108.5	-168.7	-72.4
Recognized tax	-141.5	-175.3	-113.0	-98.5	-155.6	-74.0
Difference between theoretical and recognized tax	8.1	-9.3	-4.4	10.0	13.1	-1.6
<i>Due</i>						
Non-deductible expenses	-7.4	-6.0	-4.6	-1.1	-2.0	-1.6
Differences in tax rates	14.0	-5.6	-2.0	-	-	-
<i>Deductible</i>						
Non-taxable income	1.5	2.3	2.2	11.1	15.1	-
	8.1	-9.3	-4.4	10.0	13.1	-1.6

The current tax rate for 2012 is 26.3 percent and it will be 22.0 percent for 2013. The tax rate was 26.3 percent for the two comparative years, 2011 and 2010.

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

	2012			2011			2010		
	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
Net investment hedge	-	-	-	-	-	-	0.3	-0.1	0.2
Exchange differences	-4.1	-	-4.1	-1.7	-	-1.7	-8.8	-	-8.8
Other comprehensive income	-4.1	-	-4.1	-1.7	-	-1.7	-7.3	-0.4	-7.7
Deferred tax (Note 12)	-	-	-	-	-	-	-	-0.4	-0.4
	-	-	-	-	-	-	-	-0.4	-0.4

Note 11 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		
	2012	2011	2010
Earnings attributable to the parent company's shareholders	427.3	455.7	299.8
Weighted average number of outstanding ordinary shares, thousands	69,461	69,461	69,406
Earnings per share before dilution, SEK	6.15	6.56	4.32

Note 11 (continued)

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 2012, 2011 and 2010.

	Parent Company		
	2012	2011	2010
Earnings attributable to the parent company's shareholders	427.3	455.7	299.8
Weighted average number of outstanding ordinary shares, thousands	69,461	69,461	69,406
Weighted average number of outstanding ordinary shares after dilution, thousands	69,461	69,461	69,406
Earnings per share after dilution, SEK	6.15	6.56	4.32

Note 12 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		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<i>Deferred tax receivables</i> ¹⁾			
Property, plant and equipment and intangible assets	0.9	1.0	3.7
Financial instruments	2.7	2.7	2.7
Inventories	6.5	5.2	6.2
Other items	11.1	8.9	6.8
	21.2	17.8	19.4
<i>Deferred tax liabilities</i>			
Tax allocation reserve	104.5	92.1	93.7
	104.5	92.1	93.7
Deferred tax assets/tax liabilities ²⁾	-83.3	-74.3	-74.3

Note 12 (continued)

	Group		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Opening deferred tax assets/tax liabilities ²⁾	-74.3	-74.3	-49.6
Change during the year in:			
Property, plant and equipment and intangible assets	-0.1	-2.7	1.1
- financial instruments	-	-	-0.4
- inventories	1.3	-1.0	2.9
- accumulated loss carryforwards	-	-	-1.5
- other items	2.2	2.1	-2.4
- tax allocation reserve	-12.4	1.6	-24.4
Closing deferred tax assets/tax liabilities	-83.3	-74.3	-74.3

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

²⁾ The amount includes SEK 0 M (2011: SEK -0.4 M SEK, 2010) which refers to income tax attributable to components in other comprehensive income (Note 10).

Note 13 Inventories

	Group		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Goods for resale	536.0	410.9	294.2
	536.0	410.9	294.2

Costs of stock impairment (obsolescence) which have been charged to net profit for the year are included in the item *Cost of goods sold*, and amounted to SEK 15.2 M (2011: SEK 12.6 M, 2010: SEK 16.5 M).

Note 14 Trade receivables and other receivables

	Group		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Trade receivables	490.8	541.6	427.3
Of which contract manufacturers ¹⁾	30.3	65.2	40.2
Provision for impairment of trade receivables	-5.4	-5.2	-6.4
Trade receivables – net	485.4	536.4	420.9
Tax receivables	19.9	-	-
Other receivables	26.2	23.7	23.6
Prepaid expenses and accrued income	46.7	35.0	32.6
	578.2	595.1	477.0

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

Changes in the provision for doubtful debts are as follows:

	2012	2011	2010
As at January 1	5.2	6.4	5.9
Provision for doubtful debts	1.4	0.6	1.2
Receivables written off during the year that are not recoverable	-1.1	-0.1	-0.2
Reversed unutilized amount	-0.1	-1.8	-0.4
As at December 31	5.4	5.2	6.4

Note 14 (continued)

Age distribution of trade receivables:

	Group		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Not due	416.0	457.0	399.9
Of which reserved	-	-	-
Due for up to 3 months ¹⁾	69.8	84.6	27.4
Of which reserved	-5.4	-5.2	-6.4
Due over 3 months	5.0	0.0	0.0
Of which reserved	-	-	-
	485.4	536.4	420.9

The verified customer losses during 2012 totaled SEK 1.1 M (2011: SEK 0.1 M, 2010: SEK 0.2 M). Credit risk insurance was taken out for a number of our customers in 2012.

¹⁾ Of invoices for 2012 due for up to 3 months, SEK 30.3 M fell due during the last week of December.

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

Risk range	Group		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Lowest risk	48.2	107.2	91.0
Low risk	98.9	128.5	82.3
Medium risk	275.7	220.4	172.8
High risk	2.2	0.5	11.7
Highest risk	4.0	20.4	6.8
Unclassified	50.0	58.3	61.7
No Dun & Bradstreet data	11.8	6.3	1.0
Total	490.8	541.6	427.3

Note 15 Other financial assets

	Group		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Aptilo Networks AB ¹⁾	-	-	1.6
Other	6.9	5.6	5.5
	6.9	5.6	7.1

¹⁾ 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 16 Cash and cash equivalents

	Group			Parent Company		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Cash and bank balances	464.5	325.0	256.3	32.4	55.3	64.9
Short-term bank investments	-	100.0	110.0	-	100.0	110.0
	464.5	425.0	366.3	32.4	155.3	174.9

Note 16 (continued)

Credit rating of cash and cash equivalents:

	Group					
	Dec 31, 2012	Rating 2012	Dec 31, 2011	Rating 2011	Dec 31, 2010	Rating 2010
Danske Bank	0.1	A-	50.1	A	60.4	A
HSBC	142.5	AA-	27.5	AA-	31.7	AA
Nordea	314.7	AA-	342.2	AA-	262.1	AA-
Skandinaviska Enskilda Banken	0.0	A+	-	A+	3.4	A
Svenska Handelsbanken	0.1	AA-	0.1	AA-	0.1	AA-
Other	7.1	N/A	5.1	N/A	8.6	N/A
	464.5		425.0		366.3	

As Axis had no investments as at December 31, 2012, no calculation has been made of the effective rate of interest for short-term bank investments (2011: 3.37 %, 2010: 1.9 %). These investments had an average due date of 89 days and 89 days in 2010. Axis has an unutilized credit facility of SEK 360 M (2011: SEK 200 M, 2010: SEK 200 M).

Note 17 Employee stock option program

Axis AB had no outstanding stock option programs in 2012 and had no outstanding stock option programs at the end of 2011. 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.

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

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 2012 and 2011.

Note 17 (continued)

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

The company's share capital consists of 69,461,250 (2011: 69,461,250, 2010: 69,461,250) shares of the same type and class with a par value of SEK 0.01. The share's quota value amounts to SEK 0.01. The company's legal form is a public joint stock corporation. The country of registration is Sweden, and the registered office is in Lund. The main place of business is Lund.

Note 18 Other reserves in Equity

	Hedging reserve	Translation reserve	Total
Balance brought forward as at January 1, 2010	-9.6	9.0	-0.6
Cash flow hedges	1.2	-	1.2
Net investment hedge, equity hedge	0.3	-	0.3
Tax relating to cash flow hedges	-0.3	-	-0.3
Tax relating to net investment hedge, 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
Opening balance as at January 1, 2011	-8.5	0.2	-8.3
Cash flow hedges	1.2	-	1.2
Net investment hedge, equity hedge	0.3	-	0.3
Tax relating to cash flow hedges	-0.3	-	-0.3
Tax relating to net investment hedge, equity hedge	-0.1	-	-0.1
Translation differences	-	-1.7	-1.7
Balance carried forward as at December 31, 2011	-8.5	-1.5	-10.0
Opening balance as at January 1, 2012	-8.5	-1.5	-10.0
Translation differences	-	-4.1	-4.1
Balance carried forward as at December 31, 2012	-8.5	-5.6	-14.1

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 (2011: SEK 0 M, 2010: SEK 0.9 M).

Note 19 Borrowing

	Group			Parent Company		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Short-term portion*	140.0	-	-	140.0	-	-
Long-term portion	-	-	1.0	-	-	-
	140.0	-	1.0	140.0	-	-

* Short-term borrowing relates to 3 months or less and is recognized at fair value.

Note 20 Personnel

Distribution of the average number of employees:

	Women			Men			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Parent Company	-	-	-	-	-	-	-	-	-
Argentina	2	-	-	1	-	-	3	-	-
Australia	1	-	1	7	6	5	8	6	6
Brazil	8	11	5	13	8	8	21	19	13
Chile	1	1	1	1	-	-	2	1	1
Colombia	1	-	-	2	-	-	3	-	-
Denmark	-	-	-	-	-	1	0	-	1
United Arab Emirates	3	2	2	9	6	5	12	8	7
Finland	0	-	-	1	-	-	1	-	-
France	13	12	11	12	11	11	25	23	22
Hong Kong	4	5	3	7	4	6	11	9	9
India	1	2	1	11	6	6	12	8	7
Italy	5	4	3	13	12	10	18	16	13
Japan	4	4	7	9	9	4	13	13	11
Canada	5	3	2	7	5	4	12	8	6
China	13	8	5	27	25	15	40	33	20
Korea	5	2	-	2	5	5	7	7	5
Malaysia	0	1	-	3	2	-	3	3	-
Mexico	5	3	-	6	6	-	11	9	-
Netherlands	1	1	1	12	10	7	13	11	8
Poland	1	-	-	2	-	-	3	-	-
Russia	3	1	1	7	7	4	10	8	5
Singapore	14	11	9	13	10	8	27	21	17
Spain	2	2	2	12	11	9	14	13	11
UK	4	2	3	17	12	10	21	14	13
Sweden	191	163	131	595	516	401	786	679	532
South Africa	6	3	2	6	7	6	12	10	8
Taiwan	2	2	2	3	3	2	5	5	4
Czech Republic	2	-	-	3	1	-	5	1	-
Turkey	1	-	-	2	1	-	3	1	-
Germany	8	8	8	23	15	14	31	23	22
US	35	26	28	111	87	79	146	113	107
Group total	341	277	228	937	785	620	1,278	1,062	848

Salaries and remuneration totaled:

	Board & CEO			Others			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	4.1	7.5	8.2	643.2	529.7	483.5	647.3	537.2	491.7
Group total	4.1	7.5	8.2	643.2	529.7	483.5	647.3	537.2	491.7

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 2011 and in 2010). The table above does not include directors' fees.

	Salaries and remuneration			Social security contributions			(of which pension expenses)		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	647.3	537.2	491.7	205.5	168.0	155.8	55.2	41.9	40.3
Group total	647.3	537.2	491.7	205.5	168.0	155.8	55.2	41.9	40.3

Note 20 (continued)

Remuneration to the board of directors

	Group		
	2012	2011	2010
Directors' fees	1.2	1.2	1.2
	1.2	1.2	1.2

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 eight people (2011: 7, 2010: 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 2012 fiscal year, the bonus amount was maximized at 240 percent of an annual salary for the President and CEO. For the other senior executives, the highest individual bonus amount was maximized at 80 percent of an annual salary. For the 2013 fiscal year, the bonus amounts are maximized at 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 2012 fiscal year have been charged with SEK 0.8 M in bonus for the President and CEO and SEK 1.0 M in total for the other senior executives. Of the eight senior executives (2011: 7, 2010: 7) six are men (2011: 5, 2010: 5) and two are women (2011: 2, 2010: 2).

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

2010	Basic salary/fees	Bonus	Other benefits	Pension expense	Other remuneration	Total
Lars-Erik Nilsson (Chairman of the Board)	0.4	-	-	-	-	0.4
Charlotta Falvin	0.2	-	-	-	-	0.2
Olle Isberg	0.2	-	-	-	-	0.2
Göran Jansson	0.2	-	-	-	-	0.2
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

Note 20 (continued)

2011	Basic salary/fees	Bonus	Other benefits	Pension expense	Other remuneration	Total
Lars-Erik Nilsson (Chairman of the Board)	0.4	-	-	-	-	0.4
Charlotta Falvin	0.2	-	-	-	-	0.2
Olle Isberg	0.2	-	-	-	-	0.2
Göran Jansson	0.2	-	-	-	-	0.2
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

2012	Basic salary/fees	Bonus	Other benefits	Pension expense	Other remuneration	Total
Lars-Erik Nilsson (Chairman of the Board)	0.4	-	-	-	-	0.4
Charlotta Falvin	0.2	-	-	-	-	0.2
Olle Isberg	0.2	-	-	-	-	0.2
Göran Jansson	0.2	-	-	-	-	0.2
Roland Vejdemo	0.2	-	-	-	-	0.2
Martin Gren (employed by Axis)	1.0	-	-	0.3	-	1.3
Ray Mauritsson (President & CEO)	2.3	0.8	0.0	1.7	-	4.8
Other senior executives (7)	9.8	1.0	0.0	2.8	-	13.6
	14.3	1.8	0.0	4.8	-	20.9

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 2012 will be disbursed during 2013. Bonus of SEK 4.3 M (2011: SEK 5.1 M) for fiscal year 2011 was disbursed to the President and CEO during 2011 and a total of SEK 5.1 M (2011: SEK 5.4 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.

Note 20 (continued)

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 2012, 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 43.2 M (2011: SEK 33.3 M, 2010: 33.5). Alecta's surplus may be allocated to the policyholders and/or the beneficiaries. At the end of 2012, Alecta's surplus in the form of the collective consolidation level amounted to 129 percent (2011: SEK 113 M, 2010: 146 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		
	2012	2011	2010
Costs for defined contribution plans	43.2	33.3	33.5
Cost of special employer's contribution	11.1	7.8	6.2
	54.3	41.1	39.7

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, termination 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 2012 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 18, 2012 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 21 Other provisions

	Group		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Warranty provision	76.6	38.3	26.7
Of which short-term portion ¹⁾	-38.6	-14.7	-10.1
Web domain, Mexico	1.3	2.1	-
Of which short-term portion ²⁾	-0.7	-0.7	-
	38.6	25.0	16.6

	Group		
	2012	2011	2010
Provisions brought forward	25.0	16.6	11.4
Change during the year, warranty provision	14.3	7.0	5.2
Web domain, Mexico	-0.7	1.4	-
Provisions carried forward	38.6	25.0	16.6

¹⁾ 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.

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

Note 22 Trade payables and other liabilities

	Group		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Trade payables	314.3	289.5	235.3
Other liabilities	34.4	16.3	13.2
Short-term portion of warranty provision	38.6	14.7	10.1
Social security contributions and other taxes	47.3	34.2	29.0
Accrued expenses	277.5	304.0	249.5
	712.1	658.7	537.1

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, 2012	Dec 31, 2011	Dec 31, 2010
Axis Communications AB	Sweden, Lund	556253-6143	100 %	1,600	0.2	0.3	0.3	0.3
Axis Communications de Argentina SA	Argentina		10 %	50,000	0.1	0.0	-	-
Axis Comunicaciones Chile Limitada	Chile		1 %	0	0.1	0.0	0.0	0.0
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

Note 23 Profit/loss from participations in group companies

	Parent Company		
	2012	2011	2010
Group contributions received	498.4	600.3	327.3
Group contributions paid	-0.2	-0.1	-0.1
Anticipated dividends from subsidiaries	42.2	57.5	-
	540.4	657.7	327.2

Note 24 Interest income and similar profit/loss items

	Parent Company		
	2012	2011	2010
Interest income	0.9	2.4	0.8
Interest income from group companies	0.4	0.3	0.3
Exchange differences	14.5	1.4	65.8
	15.8	4.0	66.9

Note 25 Interest expenses and similar profit/loss items

	Parent Company		
	2012	2011	2010
Interest expenses	-6.1	-1.2	-1.0
Interest expenses to group companies	-	-0.5	-
Exchange differences	-0.9	-13.8	-20.9
Other financial expenses	-0.1	-0.2	-0.5
	-7.1	-15.7	-22.3

Note 26 (continued)

Shares owned by subsidiaries	Registered office	Corporate registration no.	Share of equity
Axis Communications de Argentina SA ¹⁾	Argentina		90.0 %
Axis Communications Pty Ltd	Australia		100.0 %
Axis Communications Com e Serv Ltda ¹⁾	Brazil		99.9 %
Axis Comunicaciones Chile Limitada ¹⁾	Chile		99.0 %
Axis Communications Colombia SAS	Colombia		100.0 %
Axis Attento Aps ²⁾	Denmark		0 %
Axis Communications FZE	United Arab Emirates		100.0 %
Axis Communications Oy	Finland		100.0 %
Axis Communications SA	France		100.0 %
Axis Video Systems India Private Limited ¹⁾	India		99.9 %
Axis Communications S.r.l.	Italy		100.0 %
Axis Communications KK	Japan		100.0 %
Axis Communications Inc, Canada	Canada		100.0 %
Axis Communications Ltd	China, Hong Kong		100.0 %
Shanghai Axis Communication Equipment Trading Co., Ltd	China		100.0 %
Axis Communications Korea Co., Ltd.	Korea		100.0 %
Axis Communications Video Sdn. Bhd.	Malaysia		100.0 %
Axis LAC S.A. de C.V.	Mexico		100.0 %
Axis Communications BV	Netherlands		100.0 %
Axis Communications sp. z.o.o.	Poland		100.0 %
Axis Communications OOO	Russia		100.0 %
Axis Communications (S) Pte Ltd	Singapore		100.0 %
AxerNet Communications SA	Spain		100.0 %
Axis Communications (UK) Ltd	UK		100.0 %
Axis Network AB	Sweden, Lund	556505-3450	100.0 %
Axis Peripherals AB	Sweden, Lund	556505-1785	100.0 %
Axis Communications (SA) (Pty) Ltd	South Africa		100.0 %
Axis Communications Taiwan Co., Ltd	Taiwan		100.0 %
Axis Communications s.r.o.	Czech Republic		100.0 %
Axis Komünikasyon Hizmetleri Ve Ticaret Ltd Şirketi	Turkey		100.0 %
Axis Communications GmbH	Germany		100.0 %
Axis Communications Inc	US		100.0 %

¹⁾ The remaining share is owned by Axis AB.

²⁾ The company was liquidated during 2011.

Note 27 Contingent liabilities

Contingent liabilities	Group			Parent Company		
	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Customs bond	6.0	6.0	6.0	-	-	-
Contingent liabilities on behalf of other group companies	-	-	-	26.1	27.4	-
	6.0	6.0	6.0	26.1	27.4	-

Note 28 Cash flow generated from operating activities

	Group			Parent Company		
	2012	2011	2010	2012	2011	2010
Net profit/loss for the period before financial items	574.4	633.3	415.0	-10.5	-8.4	-3.5
Adjusted for:						
- depreciation of property, plant and equipment	33.2	27.5	24.4	-	-	-
- depreciation and amortization of intangible assets	16.8	9.0	16.7	2.4	2.4	-
- other items not affecting cash flow	33.6	11.2	0.0	-	1.5	-
Change in working capital						
- inventories	-127.7	-116.7	-70.2	-	-	-
- trade receivables and other receivables	22.4	-118.9	-21.9	12.8	-0.8	-1.0
- trade payables and other liabilities	49.2	116.5	113.6	-0.4	2.2	-1.9
Cash flow from operating activities	601.9	561.9	477.6	4.3	-3.1	-6.4

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 16, 2013.

Lund, January 30, 2013

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 15, 2013.

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 2012. The company's annual accounts and consolidated accounts are presented in the printed version of this document on pages 43-69.

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.

Opinion

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 2012 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. 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 2012 and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The administration report and the corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts.

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 2012.

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 audit opinion.

Opinion

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 15, 2013
PricewaterhouseCoopers AB

Ola Bjärehäll
*Authorized Public Accountant
Chief Auditor*

MULTI-YEAR SUMMARY

INCOME STATEMENT (SEK M)	2012	2011	2010	2009	2008
Net sales	4,183.5	3,577.6	2,933.0	2,300.7	1,974.8
Cost of goods and services sold	-2,080.0	-1,750.2	-1,446.7	-1,064.5	-887.7
Gross profit	2,103.5	1,827.4	1,486.3	1,236.2	1,087.1
Other income and changes in value	-30.0	19.7	-22.3	-49.2	8.8
Selling and marketing expenses	-747.5	-610.4	-553.6	-455.5	-403.8
Administrative expenses	-171.0	-135.8	-113.3	-91.3	-82.9
Research and development expenses	-579.7	-467.6	-382.1	-332.1	-268.6
Operating profit	575.3	633.3	415.0	308.1	340.6
Net financial items	-6.5	-2.3	-2.2	-1.4	-0.8
Profit after financial items	568.8	631.0	412.8	306.7	339.8
Tax on profit/loss for the period	-141.5	-175.3	-113.0	-88.9	-87.4
Net profit for the year	427.3	455.7	299.8	217.8	252.4

BALANCE SHEET (SEK M)	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Non-current assets	210.9	186.7	141.4	130.9	105.8
Inventories	536.0	410.9	294.2	224.0	248.7
Trade receivables	485.4	536.5	420.9	402.8	211.3
Other receivables	92.8	58.7	56.1	58.8	80.1
Cash and cash equivalents	464.5	425.0	366.3	301.8	213.4
Total	1,789.6	1,617.8	1,278.9	1,118.3	859.3
Equity	809.8	768.6	627.2	608.4	441.1
Non-current liabilities	124.6	101.8	92.9	61.7	30.8
Current liabilities	855.2	747.4	558.8	448.2	387.4
Total	1,789.6	1,617.8	1,278.9	1,118.3	859.3

CASH FLOW STATEMENT (SEK M)	2012	2011	2010	2009	2008
Cash flow from operating activities before change in working capital	416.7	573.7	368.6	299.2	244.3
Change in working capital	-56.1	-119.4	22.8	-75.2	-12.9
Cash flow from operating activities	360.6	454.3	391.4	224.0	231.4
Cash flow from investing activities	-79.1	-82.0	-51.7	-62.2	-55.3
Cash flow from financing activities	-242.0	-313.6	-275.2	-73.4	-346.8
Cash flow for the period	39.5	58.7	64.5	88.4	-170.7
Cash and cash equivalents at the start of the period	425.0	366.3	301.8	213.4	384.1
Cash and cash equivalents at the end of the period	464.5	425.0	366.3	301.8	213.4

OPERATING CASH FLOW (SEK M)	2012	2011	2010	2009	2008
Profit/loss after financial items	568.8	631.0	412.8	306.7	339.8
Depreciation/amortization	50.0	36.5	41.1	38.7	40.6
Tax	-237.4	-107.9	-85.3	-46.9	-127.0
Total	381.4	559.6	368.6	298.5	253.4
Change in working capital	-56.1	-119.4	22.8	-75.2	-12.9
Net investment	-79.1	-82.0	-51.7	-62.2	-55.3
Operating cash flow	246.2	358.2	339.7	161.1	185.2

MULTI-YEAR SUMMARY (CONTINUED)

KEY RATIOS	2012	2011	2010	2009	2008
Net sales growth %	16.9	22.0	27.5	16.5	18.2
Gross margin, %	50.3	51.1	50.7	53.7	55.0
Operating margin, %	13.8	17.7	14.1	13.4	17.2
Profit margin, %	13.6	17.6	14.1	13.3	17.2
Depreciation/amortization, SEK M	50.0	36.5	41	39	41
Equity, SEK M	810	769	627	608	441
Capital employed, SEK M	991	870	720	683	472
Interest-bearing liabilities, SEK M	140	-	-	-	-
Net debt, SEK M	325	425	366	302	213
Balance sheet total, SEK M	1,790	1,618	1,279	1,118	859
Return on capital employed, %	61.8	79.6	59.2	54.0	64.1
Return on total assets, %	33.8	43.7	34.6	31.2	38.4
Return on equity, %	53.1	66.6	49.3	43.1	49.3
Interest coverage ratio, multiple	88.5	276.4	191.4	220.1	411.9
Equity/assets ratio, %	45.3	47.5	49.0	54.4	51.3
Proportion of risk-bearing capital, %	49.9	52.1	54.9	58.8	54.0
Capital turnover ratio, multiple	4.5	4.5	4.2	4.0	3.7
Number of employees (average for the period)	1,278	1,039	848	764	663
Sales per employee, SEK M	3.3	3.4	3.5	3.0	3.0
Operating profit per employee, SEK M	0.5	0.6	0.5	0.4	0.5
DATA PER SHARE	2012	2011	2010	2009	2008
Profit after financial items, SEK	8.19	9.08	5.95	4.42	4.90
Cash flow, SEK per share	0.57	0.85	0.93	1.27	-2.46
Equity, SEK per share	11.66	11.07	9.03	8.77	6.36
Share price at end of the period	177.50	138.50	122.50	83.75	57.50
Price/equity, percent per share	1,523	1,252	1,357	955	904
Dividend	5.50	4.50	4.00	1.25	4.50
P/E ratio	29	21	28	27	16
P/S ratio	2.95	2.69	2.90	2.53	2.02
Earnings per share before dilution, SEK	6.15	6.56	4.32	3.14	3.64
Earnings per share after dilution, SEK	6.15	6.56	4.32	3.14	3.63
Number of shares before dilution, average, thousands	69,461	69,461	69,406	69,374	69,374
Average number of shares after dilution, average, thousands	69,461	69,461	69,406	69,423	69,452
Number of outstanding shares (thousands)	69,461	69,461	69,461	69,376	69,374
Average number of shares, (thousands)	69,461	69,461	69,406	69,374	69,374

QUARTERLY DATA

Invoicing per product group (SEK M)	Full year 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Video	4,158.2	1,177.5	1,065.0	1,039.1	876.6	1,046.7	965.5	740.7	797.6
Other	25.3	2.0	14.2	4.4	4.7	4.2	5.7	6.4	10.7
Total	4,183.5	1,179.5	1,079.2	1,043.5	881.3	1,050.9	971.2	747.2	808.3

Invoicing per region (SEK M)	Full year 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
EMEA	1,578.6	484.9	384.9	377.0	331.8	452.1	374.1	320.9	332.2
Americas	2,117.5	555.9	569.9	542.7	449.0	495.3	499.7	350.0	394.6
Asia	487.4	138.7	124.4	123.8	100.5	103.5	97.4	76.3	81.5
Total	4,183.5	1,179.5	1,079.2	1,043.5	881.3	1,050.9	971.2	747.2	808.3

Income statement (SEK M)	Full year 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net sales	4,183.5	1,179.5	1,079.2	1,043.5	881.3	1,050.9	971.2	747.2	808.3
Gross profit	2,103.5	600.5	548.2	515.1	439.7	533.7	499.7	382.4	411.5
Gross margin, %	50.3	50.9	50.8	49.4	49.9	50.8	51.5	51.2	50.9
Operating profit	575.3	206.7	168.4	121.1	79.1	191.9	224.9	90.2	126.2
Operating margin, %	13.8	17.5	15.6	11.6	9.0	18.3	23.2	12.1	15.6
Profit after financial items	568.8	204.7	166.2	119.5	78.4	191.6	224.0	89.5	125.9

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.

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. The corporate governance report describes how corporate governance has been conducted in Axis during the fiscal year 2012.

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.

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.

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 17,680 shareholders at the end of 2012 according to the share register maintained by Euroclear Sweden AB. The company's principal owner is Inter Indu AB (14.5 percent of the share capital). Foreign investors' equity interest was 20.3 percent. The ten largest owners had total holdings corresponding to 59.1 percent of the share capital. For additional ownership data see page 41 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, 2012) 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)	10,156,957	14.6 %
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 %
Swedbank Robur Fonder AB	3,356,161	4.8 %
Handelsbanken Fonder AB	1,985,753	2.9 %
Others	36,604,908	52.7 %
TOTAL	69,461,250	100.0 %

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 18, 2012

The annual general meeting which was held in Lund on April 18, 2012 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 2012

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 Convenor.

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 (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 18, 2012. 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 20, Personnel. Other information about the board members may be found on page 79 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 2012

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
- > evaluation of new business areas.

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 2012, 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	X	X
Roland Vejdemo		X	X	X	X	X	X	X	X

A presentation of the board may be found on page 79 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 2012 was composed of Lars-Erik Nilsson (chairman and convener) and Olle Isberg. The two members of the committee held one meeting during the year. Information regarding remuneration and other terms of employment for the company management may be found in Note 20, 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 nine 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 pages 80–81 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 2012

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 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 as-

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 248. 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.

Lund, January 30, 2013

The Board of Directors

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

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

The Board of Directors is responsible for the corporate governance report for 2012 on pages 74–78 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on reading the report, together with our knowledge of the company and the group, we believe that we have a sufficient basis for our opinion. This statutory review of the corporate governance report has another aim and direction, and is substantially less exhaustive in scope, than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden.

We consider that a corporate governance report has been prepared and that its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Lund, February 15, 2013
PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized Public Accountant

Board of Directors and Auditors



LARS-ERIK NILSSON

Chairman of the Board
Board member since 2003 (Chairman of the Board since September 2005)
Chairman of: InXL Innovation
Board member of: Consellar
Education: Master of Science
Work experience: Ericsson, Thomson CSF Skandinavien, Compaq Computer
Principal employment: Various directorships
Shares in Axis: 10,000



MARTIN GREN

Board member since 1984
Chairman of: Grenspecialisten
Board member of: Eikos, Grenspecialisten Förvaltning, Dekad, Tobii Technology and Askero Sagoboks förlag
Education: Lund University
Work experience: Co-founder of Axis
Principal employment: Employed by Axis Communications
Shares in Axis: 7,357,471 via Grenspecialisten



OLLE ISBERG

Board member since 2006
Chairman of: Awardit, Björkliden Fjällby, Lapland Resorts, Tärnaby Resort, Visionalis, Anerem, Hotel Kungsträdgården and Hotel Stureplan
Board member of: Bricmate, LMK Ventures, LMK Hotels & Real Estate, Progressum, Spaceport Sweden and Tapwell
Education: Stockholm School of Economics
Work experience: Öhman Fondkommission, Ratos, H&B Capital
Principal employment: CEO Visionalis and Senior Advisor LMK Industri
Shares in Axis: 0



GÖRAN JANSSON

Board member since 2007
Chairman of: nWise
Board member of: SAS, SPP, AAGOJA and GJS
Education: Master of Business Administration, Stockholm University
Work experience: Industriförvaltnings AB Kinnevik, Tele2, Assa Abloy
Principal employment: Vice CEO and CFO of SAS
Shares in Axis: 10,000



ROLAND VEJDEMO

Board member since 2010
Chairman of: Rebecco Trading and Secure Vending
Education: Master of Business Administration, Stockholm University
Work experience: Ericsson Information Systems, Nokia Data, TM-Data (dealer), Compaq Sverige, Hewlett-Packard Sverige
Principal employment: Various directorships
Shares in Axis: 0



CHARLOTTA FALVIN

Board member since 2006
Chairman of: MultiQ, IDEON and BFT Coffee
Board member of: Doro and Fasiro
Education: Master of Business Administration, Lund University
Work experience: Lars Weibull, Axis Communications, Decuma, TAT, Research In Motion
Principal employment: Various directorships
Shares in Axis: 10,750

Management team



RAY MAURITSSON

Born 1962
 President and Chief Executive Officer
 Employed by Axis since 1995
 Education: Master of Science, Engineering physics, Lund University and Executive MBA from the Institute of Economics, Lund University
 Previous employment: TAC
 Directorships: HMS
 Shares in Axis: 29,500



FREDRIK SJÖSTRAND

Born 1969
 Vice President, Finance and Chief Financial Officer
 Employed by Axis since 1998
 Education: Master of Business Administration, Lund University
 Previous employment: E.ON, PwC
 Shares in Axis: 28,000



BODIL SONESSON GALLON

Born 1968
 Vice President, Global Sales
 Employed by Axis since 1996
 Education: Master of Business Administration, International Finance, Lund University and Konstanz University, Germany
 Previous employment: Lars Weibull
 Directorships: Swedish Chamber of Commerce, Paris
 Shares in Axis 2,050



PER ÄDELROTH

Born 1966
 Vice President, Operations
 Employed by Axis since 1994
 Education: Master of Science, Industrial Engineering and Management, Chalmers, Gothenburg
 Previous employment: Accenture
 Directorships: Svep Design Center
 Shares in Axis: 23,000



MALIN RUIJSENAARS

Born 1971

Chief Personnel Officer

Employed by Axis since 2004

Education: PA program, Lund University, Master of European Studies Brügge, Belgium, Postgraduate studies, UC Berkeley, USA

Previous employment: Mercedes-Benz Customer Assistance Center, Daimler-Chrysler Denmark Sweden

Shares in Axis: 1,271



FREDRIK NILSSON

Born 1967

General Manager, North America

Employed by Axis since 1996

Education: Master of Science, Electrical Engineering, Lund University, Economics studies at Lund University and the University of Uppsala

Previous employment: ABB 1991–1996

Directorships: Security Industry Association

Shares in Axis: 23,500



JOHAN PAULSSON

Born 1963

Chief Technology Officer

Employed by Axis since 2008

Education: Master of Science, Electrical Engineering, Lund University

Previous employment: Ericsson, Anoto.

Directorships: poLight

Shares in Axis: 2,150 (of which 1,000 via endowment insurance)



JONAS HANSSON

Born 1967

Chief Information Officer

Employed by Axis since 1997

Education: Graduate engineer, Chemical engineering, Lund University and Degree in Journalism, Lund University

Previous employment: Netch Technologies, Nationalencyklopedin

Shares in Axis: 8,132



LARS ÅBERG

Born 1966

Vice President, Marketing

Employed by Axis since 2008

Education: Master of Business Administration, Lund University, IFL Executive General Management Program, Stockholm School of Economics

Previous employment: Unilever, Ericsson Mobile Communications, Bona Kemi

Shares in Axis: 377

Glossary

ASIC (Application Specific Integrated Circuit)

ASIC is a circuit that is designed for a specific application rather than a circuit for more general functions, such as a microprocessor. The use of ASIC as a component in electronic products can enhance performance, reduce power consumption, improve security and lower the cost.

CCTV (Closed Circuit Television)

CCTV is a private video system within a building or facility which is used to visually supervise a location for security or industrial purposes.

HDTV (High Definition Television)

HDTV offers up to five times higher resolution and double linear resolution compared with traditional, analog TV and is usually transmitted in widescreen (16:9). HDTV is built on the SMPTE 296 and SMPTE 274M standards which are defined by the Society of Motion Picture and Television Engineers, SMPTE.

Linux

Linux is an open source operating system within the Unix family. Due to its stability and accessibility, Linux has gained popularity both within the open source world and as regards commercial applications.

Network camera

Digital video camera with built-in Ethernet network connection and web server. The digitally compressed video from the camera can be seen immediately from all computers which are connected to a network.

Protocol

A set of formal rules describing how data shall be transmitted over a network. Low-level protocols define electrical and physical standards and high-level protocols are concerned with data formatting. TCP and IP are examples of high-level protocols.

Server

A computer or software application providing services to other computers which are connected to it via a network. The most common example is a file manager which has a local disk and which handles inquiries from clients regarding reading and writing files on the disk.

IP (Internet Protocol)

A communication transport protocol used in order to transmit data via Internet. Also see TCP/IP.

TCP/IP

(Transmission Control Protocol over Internet Protocol)

The TCP/IP protocol defines how data is transmitted securely between networks. TCP/IP is the most widespread communication standard and the basis for how the Internet works.

Video encoder

A video encoder has an in-built network connection and web server, among other things. Its function is to take analog video (PAL/NTSC) from traditional analog cameras, digitalize and compress video and allow the digital video stream to be accessible over a network.



Invitation to the Annual General Meeting

The Annual General Meeting of the company will be held at Emdalavägen 14, Lund, on Tuesday April 16, 2013 at 5.00 p.m. The notification of participation must be received by Axis AB no later than 5.00 p.m. on Wednesday April 10, 2013. The notification should include the shareholder's name, Swedish civil registration or corporate registration number, address and phone number as well as the number of shares represented.

Shareholders who wish to participate in the annual general meeting must be listed as a shareholder in the print-out of the share register produced by Euroclear Sweden AB on Wednesday April 10, 2013. Shareholders whose shares are held through nominees, must get the nominee to register the shares in their own name, so that the shareholder concerned is registered in the share register on April 10, 2013. Such registration may be temporary.

The notification can be made

- > in writing to Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, Sweden,
- > by phone on +46 46 272 18 00 to Axis AB's headquarters, or
- > via the company's website, www.axis.com

The notification must also state the number of assistants (however, not more than two) the shareholder wishes to bring to the annual general meeting. If participation is through power of attorney, including – in the case that the grantor of a power of attorney is a legal entity – a certified certificate of incorporation or other document showing the competency of the authorised signatory, shall be submitted in good time prior to the annual general meeting. The original power of attorney must be presented. The power of attorney form is available from the company and on the company's website www.axis.com.

The final day for trading in the company's shares including right to dividend is April 16, 2013.

FINANCIAL INFORMATION 2013

Interim report, Jan–March: Monday, April 15, 2013
Annual General Meeting: Tuesday, April 16, 2013
Interim report, Jan–June: Tuesday, July 9, 2013
Interim report, Jan–Sept: Thursday, October 17, 2013
Annual report 2013 to be published in March 2014

Reports may also be ordered from:

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Phone: +46 46 272 18 00
Fax: +46 46 272 61 30
E-mail: ir@axis.com

Financial information is available in Swedish and English on Axis' website: www.axis.com



Advisors: Solberg

Graphic design: Lönegård & Co

Photos: Lars Owesson, Axis, iStockphoto/MoMorad/Klubovy, Johnér/
Kristofer Samuelsson/Cultura Creative, Getty Images/Jeremy Woodhouse

Printing: Tryckfolket, 2013



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About Axis Communications

Axis is the market leader in network video and a driver of the shift from analog to digital video surveillance – thereby paving the way to a smarter, safer, more secure world. Axis offers network video solutions for professional installations featuring products and solutions that are based on innovative and open technology platforms.

Axis has more than 1,400 dedicated employees in 40 locations around the world and cooperates with partners covering 179 countries. Founded in 1984, Axis is a Swedish-based IT company listed on NASDAQ OMX Stockholm under the ticker AXIS.

For more information about Axis, please visit www.axis.com



Corporate identity number 556241-1065

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