

Corporate Governance Report

Axis AB (publ) (hereafter "Axis") is a 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 the OMX Nordic Exchange. The company follows the provisions of the Swedish Companies Act as well as the stock exchange regulations for listed companies in Sweden.

Axis applies the Swedish Code for Corporate Governance (hereafter the "Code"). With the exception of what is expressly stated in the following, Axis has followed the Code's provisions in addition to directives from the Swedish Corporate Governance Council. According to the code, a special report on corporate governance matters must be enclosed in the Annual Report, which among other things, should describe in outline how the company applied the code during the latest fiscal year. The corporate governance report has not been reviewed by the auditors.

ANNUAL GENERAL MEETING

The annual general meeting is Axis' highest decision-making body, and the forum through which the shareholders can exercise their influence over the company. The ordinary general meeting where the Board shall submit the annual report and audit report as well as the consolidated financial statements is called the Annual General Meeting. The particulars of the Annual General Meeting are governed in the Swedish Companies Act and in the Articles of Association. The Annual General Meeting was held in Lund on April 18, 2007. All the nominated ordinary members of the Board, with the exception of Nils Rydbeck, were present. The Board members Charlotta Falvin Martin Gren, Olle Isberg and Lars-Erik Nilsson were re-elected. Göran Jansson was elected for the first time. Lars-Erik Nilsson was re-elected Chairman of the Board. Information regarding remuneration to the Board members, as resolved upon by the Annual General Meeting can be found in the Annual Report on page 49.

The meeting further resolved:

- that a dividend of SEK 3.00 per share be paid, of which SEK 2.25 is an extra dividend in the light of the company's strong financial position, and

- to authorize the Board to resolve on a new issue. The Board received the mandate, during the period until the next annual general meeting, deviating from the shareholders' preferential rights, on one or more occasions to make a new issue of a maximum of 6,856,500 shares in total. The purpose of the authorisation is to facilitate corporate acquisitions with payment wholly or partly in Axis shares.

In relation to items 1.2.1 (distance participation), 1.4.3 (material and simultaneous interpretation) and 1.4.5 (translation of minutes) in the Code, the company deviates from the Code's "soft" requirements since the company considers that these requirements are not motivated bearing in mind the composition of the shareholder base.

NOMINATING COMMITTEE 2007

The three largest shareholders in the company on August 31 of the year before the annual general meeting shall, on September 30 of the year before the annual general meeting or at the latest six months prior to the annual general meeting, each appoint a representative to be a member of the Nominating Committee. Axis' nominating committee is comprised of representatives from the three largest shareholders; Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu S.P.R.L) and Martin Gren (Grenspecialisten AB). Christer Brandberg is Chairman and Convener.

The nominating committee shall come up with proposals to the Board to be placed before the Annual General Meeting for resolution and also give an account of its work at the Annual General Meeting. The proposals of the nominating committee are presented in the notice convening the Annual General Meeting and on the company's website. As a basis for its proposals, the nominating committee shall consider to what extent the present Board meets the demands that will be made of the Board, on account of the company's situation and future direction, among other things, by acquainting themselves with the result of the evaluation of the Board that has taken place.

Proposals and observations from shareholders in respect of the composition of the Board may be made either in writing to: Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, Sweden, or by phone on +46 46 272 18 00.

THE BOARD OF DIRECTORS

During the period between the annual general meetings, the Board of Directors of Axis constitutes the highest decision-making body in the company. The tasks of the Board are governed in the Swedish Companies Act and in the Articles of Association. The current Articles of Association was adopted at the annual general meeting 2006 and is available in its entirety on www.axis.com (select Investor Relations).

Under the Swedish Companies Act and the formal work plan of the Board of Directors, 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 the Axis organisation and operations. 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 formal work plan of the Board

The formal work plan of the Board is adopted annually by the Board. This formal work plan sets out the division of work and responsibility between the Board and the President and CEO. It is incumbent on the President and CEO, in consultation with the Chairman of the Board, to prepare the decision data, the notification and the agenda for each Board meeting. The notification and decision data are to be circulated to the members of the Board in good time. The minutes are to be circulated to the members of the Board after the meeting, and a copy stored securely by the company.

The role of the Chairman of the Board of Axis AB is to monitor the progress of the business 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.

Committees

Remuneration committee

The task of the Remuneration Committee is to prepare decisions and guidelines relating to salary and employment conditions for the Management Team (including President and CEO) and other personnel. The committee shall ensure that the guidelines for determination of salaries and other remuneration to the President and other persons in the Management Team, adopted by the Annual General Meeting are followed. The Remuneration Committee shall report to the Board on an ongoing basis. The committee is appointed at the inaugural Board meeting after the annual general meeting. In 2007, the committee consisted of Lars-Erik Nilsson (convener) and Olle Isberg. During the year, the Committee held one meeting. Information regarding the management team's remuneration and other employment conditions can be found on page 49 in the annual report and information regarding outstanding incentive programs on page 47.

Audit Committee

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

The work of the Board during 2007

During the year, the Board devoted a considerable part of its work in particular to an advancement of the focused strategy in the network video area. The Board has, through monthly reports and submissions by the Group's Chief Financial Officer at all Board meetings, among other ways, closely followed the Group's financial performance during the year. Furthermore, the Board has dealt with questions such as;

- the growth strategy for the Video product area
- strategy for establishment of subsidiaries, and
- collective agreement for staff in Sweden.

The Board conducts an annual evaluation of its work through the agency of the Chairman.

During 2007, the Board held seven Board meetings including the inaugural meeting after election.

Member	Meeting	1	2	3	4	5	6	7
Lars-Erik Nilsson (chairman)		X	X	X	X	X	X	X
Charlotta Falvin		X	X	X	X	X	X	X
Martin Gren		X	X	X	X	X	X	X
Olle Isberg		X	X	X	X	X	X	X
Göran Jansson (elected at annual general meeting 2007)				X	X	X	X	X
Nils Rydbeck (resigned at annual general meeting 2007)		X	-					

A presentation of the Board may be found on page 57.

THE PRESIDENT AND MANAGEMENT TEAM

Axis' management team consists of eight members, and is led by the President and CEO, Ray Mauritsson (born 1962). Ray Mauritsson is a graduate engineer, with a degree in Technology and Physics from the University of Lund, and an Executive MBA from the Business School at the University of Lund. He joined Axis in 1995, and took over as President and CEO in 2003. Prior to this, Ray Mauritsson held leading positions at TAC (now Schneider Electric). During the year, Ray Mauritsson was appointed a director of HMS Industrial Networks. For information regarding shareholding, see page 58 in the annual report.

The President and CEO manages the day-to-day work of the operations, and is responsible for keeping the Board

informed of the performance of the operations, and that they are being carried on in accordance with the Board's guidelines and instructions. The CEO 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 11 formal and a large number of informal meetings during the year.

AUDITS

Axis' auditors are elected by the annual general meeting for a period of four years. The company's auditors are Öhrlings PricewaterhouseCoopers AB, with Bertil Johanson as Chief Auditor. Bertil Johanson was born in 1949 and has been an Authorized Public Accountant since 1981. Öhrlings PricewaterhouseCoopers AB have been Axis' auditors since 1996 and Bertil Johanson since 2007.

According to item 2.3.2 of the Code, proposals for appointment of auditor including audit fees should be submitted to the company's nominating committee or to a specially appointed nominating committee. However, Axis' Board of Directors has resolved, deviating from the foregoing provision in the Code, that the Board shall submit a proposal to the annual general meeting with regard to both appointment and the remuneration of auditors. Such proposals shall be prepared by a group specially appointed by the Board, comprising representatives from the Board and Axis' Management. The reason for the deviation, is that the above-mentioned group has particular experience of questions relating to appointment and remuneration of auditors and this competence is considered to be of benefit to Axis.

INTERNAL CONTROL

The Board of Directors is responsible for internal controls at Axis under the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance. The Board's internal control report has not been reviewed by the company's auditor.

The Board's internal control report

The Board of Directors is responsible for internal controls at Axis under the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance. This report is drawn up in accordance with sections 3.7.2 and 3.7.3 of the Swedish Code for Corporate Governance, and has, therefore, been limited to covering only internal controls of financial reporting. This report is not a part of the legal financial statements and has not been reviewed by the company's auditor. The company's processes and systems for ensuring effective internal controls have been designed with the intention of managing and limiting the risks of material errors in the reporting of financial data, and, consequently, lead to both operational and strategic decisions being based on accurate financial information.

Axis' process for the internal control of financial report-

ing is structured in accordance with the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), with the control environment as a base for other components and activities; risk assessment, control activities, information and communication as well as follow ups.

Control environment

The Board of Directors has overall responsibility for establishing and maintaining an effective system for risk assessment and internal control. The Board has adopted a formal work plan for its activities, in which the mutual division of work between the members of the Board is defined. The day-to-day work of maintaining an effective internal control environment and continuous risk assessment in respect of financial reporting has been delegated to the President and CEO, who in turn has delegated function-specific responsibility to managers at appropriate levels within the Group.

A detailed delegation plan has been drawn up, with well-defined attestation and decision levels. This is applied throughout the Axis Group.

A. Operational Management

Axis' management team (Group management) consists, in addition to the President and CEO, of the managers of the various central functions within the Group, such as sales, marketing, personnel, IT, research and development, operations and finance. Within and between the various functions there are a number of control groups, committees and project groups, formed with the aim of creating short decision paths and ensuring that the operations are managed effectively towards the attainment of the Group's defined goals.

B. Corporate Culture

Axis has a strong and firmly-established corporate culture, which fundamentally encourages all employees to think creatively and innovatively, and to show respect for each other's diversity. Everyone is encouraged to question, take the initiative and take responsibility, and to strive at all times towards the common goals, guided by our watchwords – "act as one", "think big" and "always open". The corporate culture is founded on confidence, trust and personal responsibility. In the recruitment process, great weight is placed on ensuring that the applicants appointed, share the fundamental values on which the corporate culture is built. During 2007, a Group-wide project aimed at updating and embedding the corporate culture was completed.

C. Guidelines and policies

Responsibility and authority are defined in the delegation plan adopted by the Board, instructions for attestation, handbooks, other policies and codes, among other things.

The Group's most important guidelines and policies relate to financial control, communications, business ethics and environmental matters. The basis for financial control and follow up consists of the Group's overall finance and accounting policies. The aim of Axis' communications policy is to ensure that external and internal information provision is based on facts, is accurate and uniformly structured. Part of the communications policy deals with Investor Relations, IR, and is intended to ensure compliance with the appropriate laws and stock exchange rules, and to give a reliable and accurate picture of Axis and its operations to players in the financial market. Axis has revised the company's Code of Conduct. The purpose of the Code is to set out the approach, values and guidelines that Axis' personnel will apply in matters of business ethics and also the approach to human freedom and human rights. The objective of Axis' environmental policy is to ensure that the company supplies products and solutions in an efficient and environmentally low-impact way, and that legal obligations and environmental regulations are complied with.

Risk assessment

Risk assessment involves identifying, measuring and recording the sources of risk. The significant risks which affect the internal control with respect to the financial reporting are identified at Group and company level, as well as at regional level. The process of risk assessment also includes risks of impropriety and undue favoritism to another party at the company's expense. The risk assessment procedure results in measures that aim to strengthen the level of control and to aid in the fulfilment of the fundamental requirements of the financial reporting.

Control activities

There are both overall and more detailed control activities, aimed at preventing, discovering and correcting faults and deviations. The activities include manual controls, controls embedded in IT systems and controls in the underlying IT environment, i.e. general IT controls.

Axis does not have a separate internal audit function. The Board has decided that there are no special operational circumstances or other factors which would justify setting up such a function.

Information and communication

Important guidelines, handbooks and similar information relating to financial reporting are updated and communicated to the staff involved on a continuous basis. There are both formal and informal information channels to the company management and to the Board for important information from staff. The Board meets regularly with representatives of the various central functions in the Axis Group, partly when they attend Board meetings and partly through individual meetings. The President and CEO and the CFO

keep the Board continuously informed of the Group's financial position, performance and any areas of risk.

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

Financial reporting and follow up

The financial reporting and financial control is carried on in accordance with well-defined guidelines and policies. The various processes are thoroughly supported by complex, purpose-designed IT systems. The company's financial performance is monitored continuously by the Board through comprehensive monthly report packages, and through reports by the CFO at all Board meetings. Compliance with the company's finance policy is followed up quarterly in special reports. A high level of transparency in the report material and financial processes enables any deficiencies in internal control to be identified and rectified.

The reporting structure is based on two principal dimensions, geographical and functional. A monthly income statement is prepared for each dimension, and these are followed up with the responsible managers and controllers. At present, the geographical dimension consists of four regions and 19 sub-regions. The smallest components of the functional dimension are the cost centers which, in aggregate, add up to the three functions of Marketing and Sales, Research and Development and Administration. The total number of cost centers with individual income statements and separate follow up is around 130. The company's geographical spread creates ideal conditions for comparative analyses between the regions. The key ratios for the regions and sub-regions constitute a central part of the follow up and analysis procedure.

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