

# ANNUAL REPORT 2010

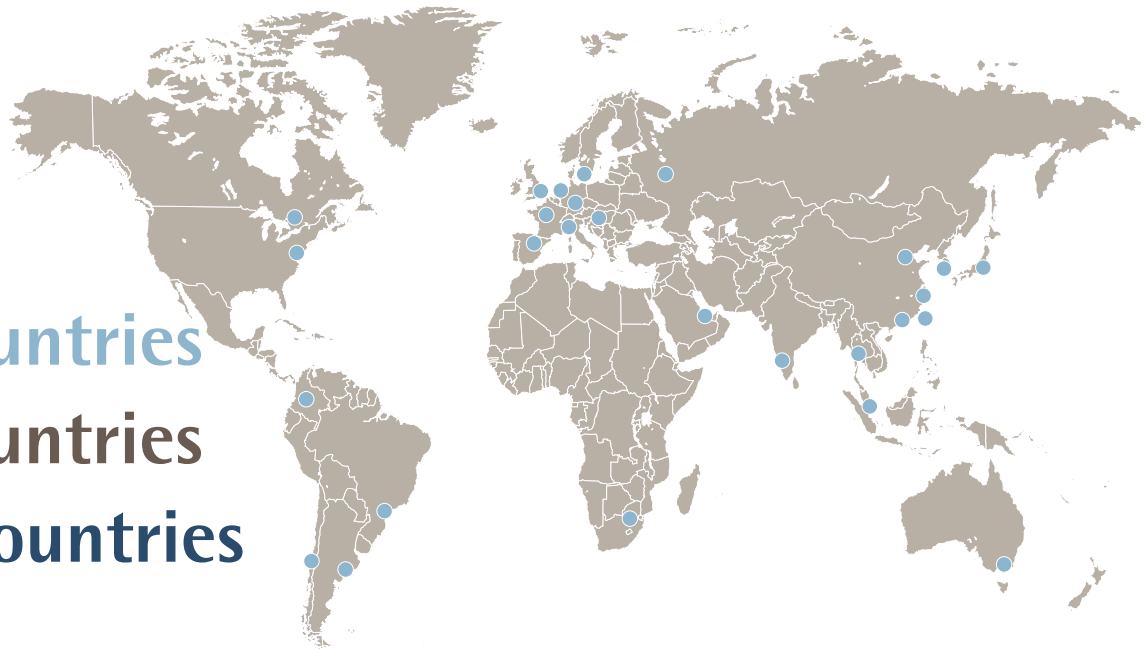


# Axis in 5 minutes

Axis is an IT company offering network video solutions for professional installations. Axis is the global market leader within network video and offers high quality and innovative products for security surveillance and remote monitoring which promote safety and security in society.

## Axis – a global company with a local presence

Axis is a Swedish-based company, which acts globally via its own offices, representatives and well-developed collaboration with partners.



Axis' employees are in more than **30 countries**

Distributors in **70 countries**

Collaboration with partners in **179 countries**

### 2010

The global expansion continued at a rapid rate. The number of employees increased to 914 (774).



# 914

## Invoicing per region, 2010



## Market leader

### 2010

Axis maintained its position as market leader within network cameras and was ranked second in the list of global suppliers of surveillance cameras\*. Axis received more than 20 awards during the year for the company's network video products, including AXIS 1910-E.

# #1

\*The 2010 edition of IMS Research's report "The World Market for CCTV & Video Surveillance Equipment".

## Axis' product portfolio

Axis was the first company in the world to launch a network camera in 1996, initiating the shift from analog to digital technology. Axis' sales consist almost entirely of the Video product area which comprises network cameras, video encoders, accessories and application software.

### 2010

About thirty network video products were successfully released during the year including products delivering HDTV quality video and a thermal camera, among others. The market has shown great interest for Axis' network video products, especially network cameras for outdoor use which are easy to install.



## Sales 2010

# 2,933

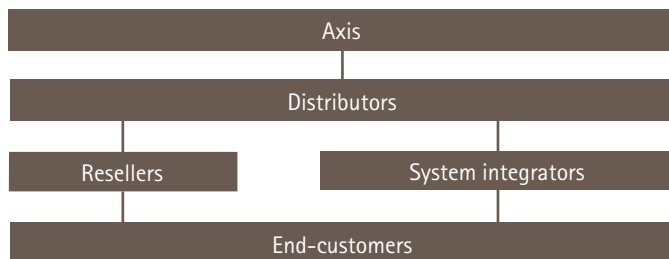
 SEK M

## Axis' business model offers a local presence

Axis' products reach the market through a two-stage model via distributors and in most cases, system integrators who work with the end customers.

### 2010

Axis' partnership program has been advanced during the year both as regards to quality and the number of participants. There are currently partners in 179 countries.



# 35,000

 partners

## Invoicing per business area, 2010

# Video

 98 %  

## Print, scan & other

 2 %

## Axis' products in the world

Axis' network video products are used in many environments and contexts throughout the world. It is a question of installations in public places, airports, trains, schools, colleges, casinos and banks and also on motorways and within retail etc.

### 2010

Installations of Axis' network video products were carried out within all of the identified end customer segments, and increased interest has been shown within the areas of transportation, public surveillance and retail.

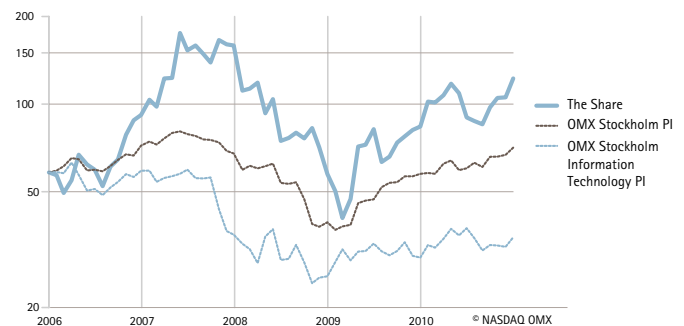


## The Axis share

Axis' share is listed on NASDAQ OMX Nordic under the ticker AXIS.

### 2010

The Axis share increased in value by 46 % during the year. The number of shareholders at year-end was 17,459 (17,571).



Follow Axis continually on:

[www.axis.com](http://www.axis.com)



# The year in brief

- > Sales totaled SEK 2,933 M (2,301) M, corresponding to growth of 27 percent.
- > Operating profit amounted to SEK 415 M (308).
- > Profit after tax totaled SEK 300 M (218).

## Events during the quarters 2010

### Q1 Net sales amounted to SEK 643 M (532). Operating profit amounted to SEK 95 M (46).

Axis announced that 3,500 network cameras would be part of an internal surveillance system on Prague's buses in order to boost security for passengers and help to clear up incidents such as vandalism and other offences. The installation commenced in November 2009 and is expected to be fully completed during 2014. In March, Axis announced that its network cameras will be installed on 2,300 buses in Madrid as part of a security system in order to improve passengers' safety and security.

### Q2 Net sales amounted to SEK 678 M (542). Operating profit amounted to SEK 74 M (46).

Axis' products attracted great interest at trade fairs around the world, including at ISC West in the US, IFSEC in the UK, Transrussia in Russia and ISC in Brazil. The world exposition, Expo 2010 in Shanghai opened with Axis as official sponsor of the Swedish pavilion and the company's network cameras were part of the security solution. The participation was part of the company's efforts to boost its presence and visibility on the growing Chinese market.

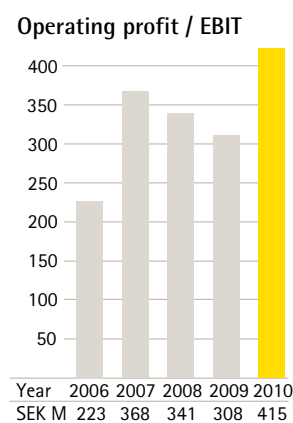
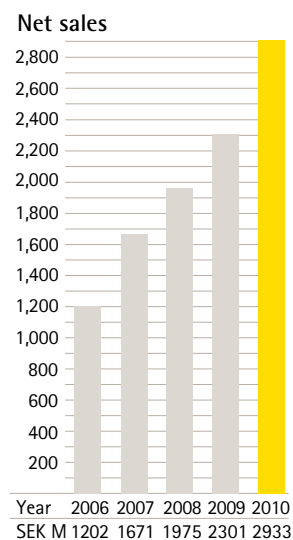
### Q3 Net sales amounted to SEK 737 M (568). Operating profit amounted to SEK 121 M (95).

In the IMS Research report, Axis is ranked number two in the world among global vendors providing surveillance cameras, a strengthened position compared with third place last year. Axis was identified as a clear market leader in the network cameras category, maintaining its position compared with the previous year. Axis retained its position as number four in the world within the video surveillance equipment category.

### Q4 Net sales amounted to SEK 875 M (659). Operating profit amounted to SEK 125 M (121).

Growth amounted to 40 percent in local currencies during the fourth quarter. Axis estimated that its growth was higher than the market's and that the company has strengthened its position as the market-leading supplier of network video products. There was considerable interest for installations of surveillance equipment within retail, city surveillance and the transport sector in all regions. Continued strong demand for Axis' products in all markets, a good inventory position and high availability of Axis' network video products, contributed to the strong close.

In January, Axis received the award of "Listed Company of the Year" from the Swedish business magazine, Veckans Affärer. The motivation read: "No other company on the Stockholm Stock Exchange has a better combination of earnings, growth, profitability and price trends during a longer, sustained period of time. Axis is a company that delivers no matter what happens and is one of the very few, worthy heirs to our many century-old Swedish big business successes."



Key ratios		
Group, SEK M (unless otherwise stated)	2010	2009
Net sales	2,933	2,301
Operating profit	415	308
Profit before tax	413	307
Profit after tax	300	218
Earnings per share, SEK	4.32	3.14
Cash and cash equivalents at end of period	366	302
Dividend, SEK	4.50*	4.00

\*The board of director's proposal



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# Fantastic growth over the past year

2010 was a successful year for Axis. We advanced our position to second place among suppliers of surveillance cameras and strengthened our leading position as a network video supplier on the global market. Through a high release rate of new products which were well-received by the market and advancement of our partnership network, we have accelerated the technology shift so that network video products are being installed to a greater extent in security solutions, optimizing customers' business processes. This resulted in sales growth in local currencies of 37 percent.

The interest for network video products is continuing to rise and these products currently account for approximately 30 percent of new surveillance camera sales globally. Advantages such as high image quality, the simplicity of installing the products as well as the possibility of integrating with other systems are some of the contributory factors behind the increased interest.

According to the market research institute, IMS, Axis has advanced its position to second place among suppliers of surveillance cameras (including analog and digital solutions). Axis retains its leading market position within the network cameras category.

## Net sales for the year

Sales for the year came in at SEK 2,933 M (2,301), which signified growth of 28 percent in 2010. Despite a high rate of expansion with 140 new employees and a high level of activity on the market, we

have maintained good cost control and the operating profit amounted to SEK 415 M, giving an operating margin of 14.1 percent.

At the start of the year, the gross margin was impacted by negative currency effects and certain strategic price reductions as a result of the expanded product portfolio. We presented a gross margin of 50.7 percent for the full-year.

The changes in foreign exchange

rates compared to the preceding year have had a considerable impact, particularly on sales. With unchanged exchange rates, net sales would have amounted to SEK 3,142 M and operating profit to SEK 494 M.

## Global growth

We report the operations in three regions EMEA (Europe, Middle East and Africa), Americas (North and South America) and Asia. Axis' sales trend has been positive during the year in all regions. A general increase in interest for security installations and in the digital technology, which offers a number of advantages such as cost efficient installation and high image quality, contributed to the positive trend.

The Americas region reported sales of SEK 1,373 M (1,085), corresponding to growth of 26 percent. The Americas region has displayed very good growth during all quarters of the year. The shift from analog to digital is continuing and network products in security installations have become a more natural choice in the North American market. The South American countries are at an early stage with regard to acceptance of and use of network video products.

The EMEA region reported sales of SEK 1,260 M (1,001), corresponding to growth of 26 percent. The positive sales trend is explained by the stabilization of the economy during 2010, which facilitated investments in network video products. Some economic instability remains in the southern parts of the region, which impacted purchasing decisions regarding security installations.

Asia region accounts for 10 percent of sales and the region reported sales of SEK 300 M (214), representing growth of 40 percent. It is gratifying to see that our focused efforts to expand our workforce

*"2010 was a year of fantastic growth which I and all the employees are very happy about and proud."*

and establish a partnership network in Asia are now delivering this positive development with strong growth.

### **Axis' three pillar strategy**

Axis' established strategy is built on three components; innovative network video products; a strong partnership network and global expansion.

Like in previous years, we have achieved a high release rate of innovative network video products and about thirty were introduced during the year. Focus has been on network video products which deliver HDTV quality material. The great interest in these products demonstrates the important driver that image quality represents in the shift from analog to digital security solutions. The image quality is an important factor in order for end users to choose to install a digital system instead of an analog one.

The cost is another important factor during installation of a security system. A study conducted by the LUSAX research group at Lund University showed that the costs of a digital system are lower than an analog, even in the case of smaller-scale installations. When we carried out a study in 2007, it showed that the installation cost of a network camera system was lower at 32 cameras, whereas today the installation is more cost efficient on installation of a system comprising 14 network cameras.

### **Proximity to the end users provides enhanced knowledge**

During the year, we have advanced our partnership program and increased our presence globally. A survey among our partners showed that the choice of Axis as a supplier was largely based on the knowledge we possess and provide. In conjunction with our partners, we worked even closer to the end users in our chosen end customer segments. By participating in discussions with the end users, we gain a more in-depth understanding of how our products are used in different end customer segments.

### **Global company with local presence**

We are present with Axis' employees in more than 30 countries today, through partners in over 70 countries and through installed Axis' products in more than 170 countries. During 2010, we have trained the market in the benefits of network video on more than 900 occasions, conducted approximately 430 classroom training sessions within the framework of Axis Communications Academy and have also had over 8,000 visitors at our web-based training courses.

Apart from expanding our partnership program, we have also recruited 140 new employees, evenly distributed between the headquarters

in Lund, where we have research, development and staff functions, and our sales offices around the world.

### **Continued exciting development**

We are in the midst of a technology shift, where as market leader, we are driving the market from analog to digital technology. In order to retain our market-leading position, we will continue our aggressive strategy featuring the release of innovative products, development of our partnership network as well as global expansion.

We operate on an exciting market where new sales of network video products in 2014 are expected to amount to 50 percent of the overall video surveillance market of USD 14.5 billion. This implies a market for network video products of USD\* 7.3 billion, corresponding to expected market growth of 25–30 percent in the next few years.



At Axis, we will continue to operate on this expanding market in order to maintain our market-leading position within network video and advance our position as a supplier of digital security equipment. With the market's broadest product portfolio, an increased interest from partners and an expanding global organization with more than 900 professional employees, we are well-equipped to meet future opportunities and challenges.

Ray Mauritsson  
*President*

*\*The 2010 edition of IMS Research's report "The World Market for CCTV & Video Surveillance Equipment".*

# Operations and goals

Axis is an IT company offering network video solutions that promote safety and security in society. Axis is global market leader within network video and offers high quality and innovative products. The products are used for security surveillance and remote monitoring, but also in installations in order to improve efficiency in customers' business processes.

Axis's business mission is to be the driver of the shift to network video and to offer customers all the benefits of complete intelligent network video solutions.

The customers are found within many areas, but Axis has chosen to focus on a number of end customer segments: the transport sector, retail, education, banks, public surveillance, healthcare and industry. Axis has an overall goal of strengthening its market-leading position\* on the network video market.

## Overall financial goals

The conditions for a long-term increase in shareholder value shall be created through growth, continued good profitability and a stable financial basis.

Axis' overall long-term financial goals are:

- > total average annual growth of at least 20 percent
- > a profit margin of at least 10 percent
- > an equity/assets ratio in excess of 50 percent

\*The 2010 edition of IMS Research's report "The World Market for CCTV & Video Surveillance Equipment".

## Financial goal fulfillment 2010

Goal	Outcome	Comments
Total average annual growth of at least 20 percent.	Axis achieved growth of 28 percent during the year. The average annual growth 2005–2010 was 32 percent.	Axis estimates that its growth was higher than the market's, and has thus strengthened its position as the market-leading supplier of network video products.
Profit margin of at least 10 percent.	Axis reported a profit margin of 14.1 percent.	Axis exceeded the profit margin target.
An equity/assets ratio in excess of 50 percent.	The equity/assets ratio amounted to 49 percent in 2010.	Despite shareholders' equity of SEK 627 M, the equity/assets ratio did not reach the target of 50 percent. However, the result is in line with the objective.

## Overall strategy

Axis' overall strategy is built on three pillars; partnership, an innovative and broad product portfolio as well as global expansion. In order to strengthen Axis market-leading position\*, the strategy for the three areas is as follows:

### Partners

Increase the global market presence through collaboration with partners such as distributors, system integrators, resellers and application developers (Application Development Partners, ADPs) and continually advance the cooperation.

### Products

Develop and market a broad, innovative and focused product portfolio featuring high quality network video products and continually offer the latest technology within the network video area.

### Global expansion

Expand the operations and increase the presence through recruitments in existing offices and establish a local presence on a global market.



## Goal fulfillment 2010

### Strategy – Partners

Axis shall continue to advance the cooperation with local and global strategic partners in order to spread knowledge of the commercial benefits of network video.

Axis shall focus on developing business within different end customer segments such as the transport sector, retail, education, banks, public surveillance, healthcare and industry.

Axis shall drive the technology shift in the transition from analog to network video solutions, through training of partners and marketing activities.

### 2010

Axis has continued to add partners to the various partnership programs. The focus in the Americas and EMEA regions has been on advancing the cooperation with existing partners, while in the Asia region it has been on establishing a local presence through partners.

Axis' network products have been installed within all focus segments. An organization with a focus on specific end customer segments has been established on a global as well as a local level.

The interest in Axis' training programs within the area has been considerable. Approximately 5,000 partners participated in classroom training during the year and more than 8,000 partners took part in web-based training and webinars. A certification program has been introduced in the US market for the purpose of ensuring that Axis' partners have the right knowledge and skills regarding network video products.

### Strategy – Products

Axis shall maintain an aggressive release rate within the Video product area and offer new products and solutions designed for professional installations within the security sector and for improving efficiency of business processes. Axis' network video solutions shall be scalable, flexible, cost efficient, intelligent and deliver enhanced flexibility and high performance.

Axis' product portfolio shall be supplemented with software applications, in order to offer the customers effective standardized video applications and remote monitoring systems.

Axis shall maintain its leading technological position through continued focused research and development efforts. The basis is formed by platforms which ensure high quality and performance in all products.

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

### 2010

Axis has released about thirty innovative products and offers the market's broadest product portfolio. Focus has been on network cameras which deliver video of the highest image quality (HDTV quality) and products that are easy and cost efficient to install for the system integrators.

Axis is advancing software for the network video products and has released a new version of Axis Camera System. The collaboration with selected Application Development Partners (ADP) continued and Axis had 800 partners at year-end.

Research and development activities represented 13.7 percent of sales during 2010. Refinement of the proprietary ARTPEC® chip continued during the year as well as advancement of the HDTV offering and network video products which are easy to install.

Axis has continued the close cooperation with selected contract manufacturers in order to optimize the product supply. In this way, Axis has been able to take measures swiftly to minimize the impact of the component shortage which has arisen on the world market in recent years.

### Strategy – Global expansion

Axis shall mainly grow organically. Acquisitions aimed at increasing the geographical reach, however, are not ruled out.

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

### 2010

Establishments of local offices have been carried out in a number of different places throughout the world. Axis has its own personnel in more than 30 countries.

Recruitments have continued at a high rate and Axis had 914 employees on December 31, 2010, an increase of 18 percent.

# High long-term growth for network video

The market for network video products continues to show good growth potential. Demand for video surveillance solutions within the security sector is growing throughout the world, while at the same time, the ongoing shift from analog to digital technology is driving demand for Axis' solutions. The market for network video products is forecast to have an annual growth potential of approximately 27 percent over the next five years and network cameras are expected to account for almost half of new surveillance camera sales within four years.

The video surveillance market is developing rapidly and is being driven, first and foremost, by increased prosperity, urbanization and a general trend toward greater security consideration. The customers are mainly within the security sector, but are also found in other sectors where there is a need for remote monitoring and streamlining of business processes. Apart from security installations, growth is anticipated within new fields of application and end customer segments for network video, for example, inventory management, measurements of customer behavior in the retail sector and remote monitoring within healthcare.

## Positive trend in video surveillance market

The market research institute, IMS Research\* forecasts that the total market for video surveillance (CCTV), including surveillance cameras, recording equipment and video encoders, will continue growing over the next few years. The overall market in 2009 was estimated by IMS to have amounted to USD 8.2 billion and is expected to grow to USD 14.5 billion by 2014.

## Maintain strong position in the market

The potential of Axis' network video products is largely based on the ongoing technology shift from analog surveillance systems to network video solutions. Axis has been ranked fourth among global vendors of video surveillance equipment and thus retains its strong

market position. Axis is market leader within network video solutions and is well positioned to take advantage of the growth opportunities generated by the technology shift and by new fields of application for surveillance cameras. In the surveillance cameras category, which includes analog and network cameras, Axis was ranked second, compared with third place last year.

### Definitions:

- > The total market for video surveillance equipment consists of equipment and components for surveillance systems. Examples are switches, DVR (digital video recorders), network cameras, video encoders and monitors.
- > The market for cameras consists of analog and network cameras.
- > The market for network cameras only consists of network cameras.
- > Network video products is a collective term for network cameras, video encoders, network recorders and software.

\* The 2010 edition of IMS Research's report "The World Market for CCTV & Video Surveillance Equipment".

## Legal requirements create opportunities

More stringent legal requirements from public authorities as regards camera surveillance within specific areas can also generate new business opportunities, for example, decisions regarding increased surveillance of cities or nature areas. Greater acceptance of surveillance cameras is another important market driver. The right to feel safe and secure is one of the most important basic principles in society and Axis' products contribute to promoting safety as well as security. Axis informs partners and suppliers about factors to consider during installation of a security system.

## From analog technology to network revolution

The market for surveillance equipment emerged in the 1950's when the first analog cameras were installed. When the AXIS 200 network camera was released in 1996, a technology shift from analog to network video solutions was initiated and Axis has been the market leader in this area ever since.

## The shift is continuing at a rapid rate

The shift from analog to digital technology opens new possibilities in the design of security systems. The many advantages of network cameras, for example, easy installation in networks, high image quality and flexible installation means that the closed systems must gradually give way to open and fully integratable systems. By 2014, network cameras are expected to account for 50 percent of total new camera sales, and the global annual growth of network video is estimated at 25–30 percent over the next five years.

## Schools and healthcare are at the cutting edge

The end customer segments where network video products have the highest penetration rate are schools and healthcare, where the penetration is approximately 45 percent. A driving factor is that there often are existing networks installed in the buildings where these types of activities are conducted.

Customers within the transport sector and public authorities have continued to install network surveillance products. The estimated penetration rate within these areas lies at just under 40 percent on a global level. The penetration rate is lower within the banking and retail segments.



Axis' network cameras were installed in the Swedish pavilion at the world exposition, Expo 2010 in Shanghai, China, both for security reasons and as a service for the employees.

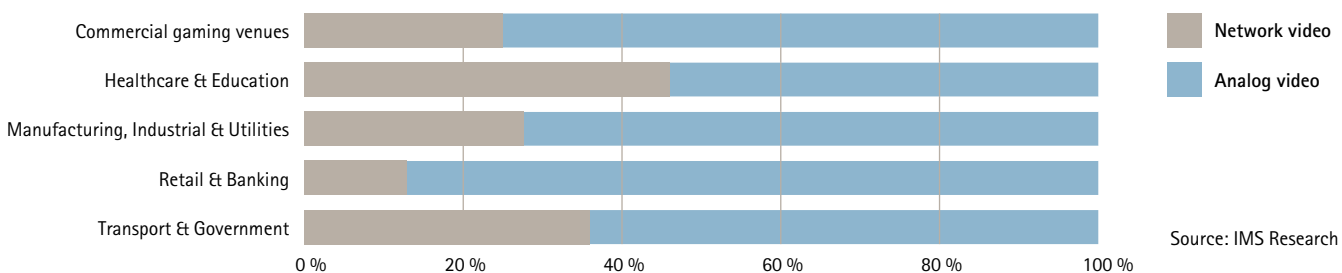
## Great potential within many segments

The banking segment is considered to have good growth potential in the next five years and there is a rapidly growing interest for installation of network video. Banks were early in installing surveillance products and analog systems have been usual to date, but interest is continually increasing for the new technology. Within public authorities and the transport sector, increasing interest is predicted for network video products. In addition, continued strong demand is expected within the schools segment.

## Competitors

The interest for network products rose during the year, which has also led to a gradual increase in competition. Axis' largest competitors are still manufacturers of traditional, analog cameras. The dominant manufacturers of analog cameras are global players such as Panasonic and Pelco, which have first and third place respectively in IMS' global ranking of suppliers of surveillance cameras. Sony, Panasonic and Mobotix are examples of competitors offering network cameras, which are all ranked after Axis on the global list of network video providers. All in all, it is estimated that there are more than 300 different brands worldwide within the field of network cameras.

## Convergence rates by end-user industry 2009



# Axis – global company which acts locally

## Close cooperation creates transparency

Network video products are installed in many different environments. Axis has chosen to focus on eight segments (see pages 12–13). Demand rose during the year with increasing interest within the segments transport, retail, city surveillance and public authorities.



Axis' cameras have been installed in Hungary in order to prevent traffic jams and create security.

Axis has an indirect sales model, which means that sales take place via distributors who sell on to system integrators who in their turn reach the end users. The installations have become more comprehensive in recent years and more cameras are specified in each individual installation. Axis' cooperation with the system integrators in respect of planning and design work implies considerable insight into and greater understanding of the environments that the cameras shall be installed in. During the year, Axis was involved in and shared its knowledge of network video when projecting on buses, at railways and in stations, in retail and also within the banking system.

## The world is ready for digital surveillance

At a global level, growth is predicted in all geographical regions. However, the growth trend is expected to differ depending on various factors in the individual markets, such as the need for surveillance, infrastructure and legal requirements.

The countries in North America as well as South and Central Europe have embraced digital technology to a large extent and Axis has showed good growth in these markets for many years. The technology shift has come a long way in North America and the growth rate is expected to continue to be positive and stable. South America is at an early stage with low penetration rates, but has considerable growth potential. In EMEA region, the northern areas and the Middle East show particularly high levels of IT maturity and good knowledge of network video which favors the continued growth of digital surveillance. There is also considerable growth potential in emerging markets within EMEA where the latest technology is a more natural choice today.

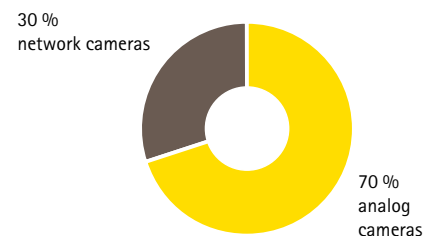
### Market shares for network cameras, 2009

Rank	Supplier
1	Axis Communications
2	Panasonic (PSS)
3	Sony
4	Mobotix
5	Panasonic (PCC)

### Market shares for surveillance cameras, 2009

Rank	Supplier
1	Panasonic (PSS)
2	Axis Communications
3	Pelco
4	Bosch Security Systems
5	Samsung Techwin

### Potential for network video

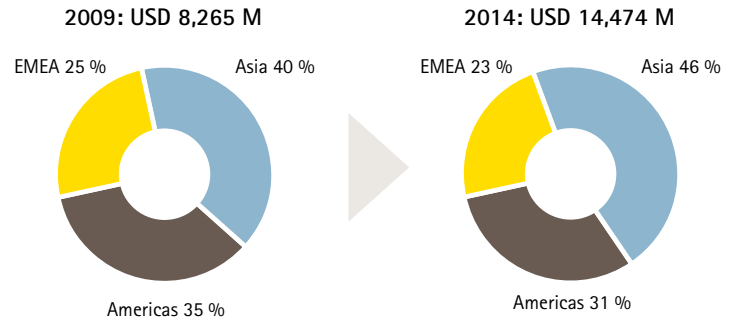


In Asia and Africa, areas with low penetration rates of digital surveillance are expected to display higher growth than others, as people will choose a digital system directly. Asia is expected to display a higher growth rate generally since the region currently has a lower share of digital installations and large parts of the region are facing large-scale infrastructural development.

### The regions

Axis has operations with its own personnel in more than 30 countries. The operations are reported on the basis of the three regions EMEA (Europe, Middle East and Africa), Americas (North and South America) and Asia. Axis' sales trend has been positive in all regions during the year.

### Video surveillance equipment 2009–2014



Source: IMS Research 2010

## REGION AMERICAS

The region Americas, which includes North and South America, has displayed very good growth throughout the year. The region reported overall growth of 26 % during the year.

The end customers in the North American market have carried out installations of Axis' network video products to a considerable extent, principally within retail, schools, city surveillance and hospitals. The shift to digital technology is continuing and network products have become a more natural choice in security installations. The market has a high level of maturity as regards IT and a well-developed infrastructure.

Other reasons for the favorable trend in the region include a strong product portfolio which meets the market's needs as well as continuous training of partners in the benefits of network video. Axis further increased the number of partners in the partnership program during the year. Apart from system integrators and resellers, the program also covers consultants who require knowledge about network video solutions.

The South American countries are at an early stage regarding to acceptance of and use of network video products. Axis established its first office in São Paulo, Brazil in 2008 and has subsequently opened local offices in Argentina, Colombia and Chile. Demand for network video products relates, first and foremost, to installations within public authorities and transport. During the year, Axis network video products were installed in schools, on buses and trains and in public places. The infrastructure varies within the region, which means that some countries can already exploit the benefits of network video, whereas in others, the potential lies in the longer term. Training of the market is important and partners were added to the program during the year and about one hundred people participated in Axis Communications Academy and partner training courses.



Local presence in the following countries	Argentina Brazil Canada Chile Colombia Mexico US
Number of employees	127
Key end customer segments	Education, public authorities, retail, casinos
Sales	SEK 1,373 M (1,085)
<p>47 % of sales</p>	

## REGION EMEA

Region EMEA includes Europe, Middle East and Africa. The region showed stable growth of 26 % during the year.

Region EMEA displayed a good sales trend throughout the year. The positive sales trend is due to the stabilization of the economy, among other things, which has enabled customers to carry out planned investments in network video products. A general increase in interest for security installations and for Axis' new solutions featuring cost efficient installation and high image quality, are other reasons for the growth.

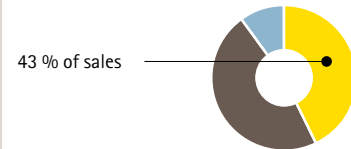
EMEA covers a number of countries with different structures as well as different laws and regulations. The countries in the southern part of the region have been impacted by the general macroeconomic situation to a greater extent. Despite this, several major installations were carried out in city surveillance and the transport sector. Countries in the eastern part of the region and in the Middle East have displayed a good recovery and increased interest for network installations within areas related to public authorities. Other countries have continued to show considerable interest for installation of network video products in schools, in trains and stations and also within retail, which has accelerated the technology shift.

In the UK, which has a large installed base of analog installations, training of the market has resulted in an increased interest for digital technology within a number of end customer segments.

The interest in participating in Axis' partnership program has been strong within the entire region and a large number of partners received training within the framework of Axis Communications Academy in order to learn more about the benefits of network video.



Local presence in the following countries	Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Portugal, Russia, South Africa, Spain, Sweden, UK, United Arab Emirates
Number of employees	642 (incl HQ)
Key end customer segments	Transport, retail, public surveillance
Sales	SEK 1,260 M (1,001)



### End customer segments



#### Education

Installation of cameras has proved to reduce vandalism in schools. Network cameras' advantages, such as scalability and easy installation suit schools and educational institutions since the infrastructure is often already in place.



#### Retail

Network cameras in stores and shopping malls offer the shop proprietors a good overview of e.g. warehouses or stores situated in other geographical locations. The cameras can also identify customer flows, which offers the possibility of adapting displays as required and thereby boosting sales.



#### Industry

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

## REGION ASIA

Region Asia extends over a large geographical area from China in the north to New Zealand in the south. The region displayed very strong growth during the year with a stable trend over the quarters, which resulted in total growth of 40 %. The strong growth demonstrates the increasing interest for Axis' network video products in security installations.

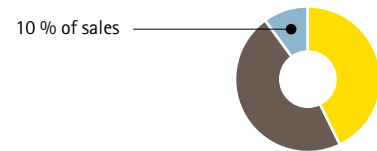
The large-scale geographical spread implies considerable disparities in legislation and cultural values, which impacts decisions regarding installation of cameras.

Despite the fact that the market is diversified, there is a widespread interest in the network technology and in professional surveillance solutions. Security installations were carried out during the year in schools and universities, in public places and within the transport sector.

Work with the partnership programs intensified during the year and over 2,500 partners were added to the programs over the past twelve months, which in turn spreads knowledge about the benefits of the company's products. During the year, more than 1,500 people participated in the Axis Communications Academy training program.



Local presence in the following countries	Australia India Japan China Korea Malaysia Singapore Taiwan Thailand
Number of employees	79
Key end customer segments	Transport, public surveillance, hospitals, education, retail
Sales	SEK 300 M (214)



### Transport

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



### Banking

Network cameras at entrances and over counters increase the security for personnel in banks and in exchange offices. Installations of network cameras are increasing within the banking system as the technology is well proven after more than ten years on the market.



### Public surveillance

Surveillance can provide security for citizens in particularly vulnerable locations and video can facilitate production of evidence if a crime has been committed. A network camera is easy to install and move to another place if needed.

*Saturday 2 p.m.*

# FOCUSING ON THE CUSTOMERS' NEEDS.





## Retail

# Cameras provide security and optimize business processes

The use of Axis' network cameras is steadily increasing within retail. The cameras contribute to creating a safe environment for employees and customers. In addition, they can prevent theft, shoplifting and wastage which are common occurrences in the sector.

### New technology reduces wastage

Superconti SpA is an Italian hypermarket chain, consisting of 38 stores. The management decided to invest in an efficient surveillance system since the company had major problems with theft and shoplifting. Superconti SpA therefore elected to install IP network cameras from Axis in two stores. The surveillance system consists of 95 network cameras in total which are spread over the stores' area of 4,500 square meters. The stores which are located in Umbria and Lazio, previously had analog cameras.

"The financial crisis has led to an increase in theft and shoplifting. The analog cameras which we used previously were not effective

enough. We needed new technology which provided sharper images and identification possibilities. Axis' surveillance system has the capacity to monitor both warehouses and store premises", says Massimiliano Conti, Marketing Manager at Superconti SpA.

### Effective surveillance provides security

Cape Quarter is an exclusive shopping mall located in Cape Town. In order to improve security and prevent incidents, Cape Quarter has elected to install network cameras from Axis. The cameras ensure that the shopping mall is monitored on a daily basis. In this way, it is possible to discover vandalism or suspicious behavior.

"Cape Quarter is a smart exposed building with an open plan layout. Axis' network cameras help create a safe and secure environment for both customers and personnel", says Joanne Boswell, Facility Manager of Pyramid Property Management.

Research shows that network cameras in stores and shopping malls reduce shoplifting and theft. Thus, they improve safety for both personnel and visitors. Digital surveillance cameras may also facilitate shop proprietors in planning store design, inventory and staffing.

#### Important features

- > High image quality regardless of light conditions.
- > Zooming and autofocus.
- > Attractive design, in order to blend into store environments.
- > Network system for central data processing.

#### Typical Axis products

AXIS M32 series  
AXIS M30 series  
AXIS M11 series  
AXIS P334 series  
AXIS 212 PTZ

# Products that create benefits for the customers

Using strong powers of innovation, Axis has released a high rate of new products which have been well-received by the market. The releases have focused on Video with HDTV image quality, thermal cameras and network video products which are easy to install for the customer. Since the introduction of the first network camera in 1996, Axis has been market-leading in network cameras. During the year, Axis has further strengthened its position as an innovative supplier of products which create benefits in the customers' security installations.

Axis' product portfolio consists of network cameras, video encoders, software and accessories. The products are primarily included in security installations, in individual stores as well as in comprehensive systems on trains, on motorways at universities, in banks and in retail chains. The products are also used for improving the efficiency and optimization of the customers' transaction flows, for example in warehouses. There are also applications within the retail trade which directly generate commercial benefit for the customers.

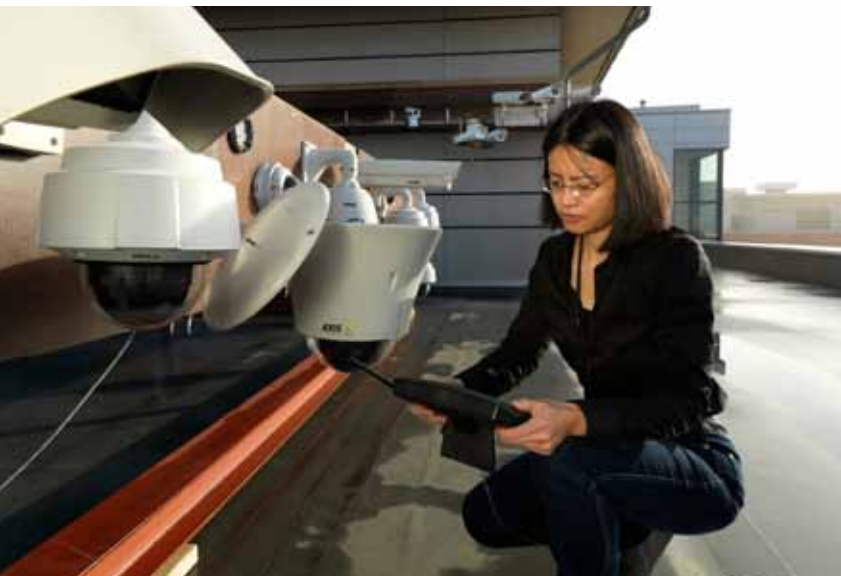
ity of remote monitoring, which means that they can gain access to video from any computer with an internet connection. The cameras are easy to integrate with different security solutions, which delivers an optimal result adapted to each unique situation. Network systems also offer flexibility which facilitates conversion or extension of systems. Power over Ethernet (PoE), in other words, power supply via the network cable, is another advantage of network installations. The image quality is also of crucial importance for the shift from analog technology to network video, not least, possibilities of megapixel and HDTV resolution, which have no direct equivalent on the analog market today.

## Bridges from analog to digital technology

Axis' product portfolio also includes video encoders which constitute a bridge between analog and digital technology. They digitalize and transmit video from analog cameras, which enables distribution of video over an IP network. An end customer that already has an analog system can make use of previously made investments in an analog system by installing a video encoder. Installation of a video encoder in an existing analog system means that the customer can harness the benefits of network video, e.g. gain access to material from any computer in the world and the possibility to integrate with a security system.

## HDTV – delivers superior image quality

A competitive advantage of network cameras compared with analog cameras is that they deliver video of high image quality. Network video products which can deliver HDTV quality images represent another very important driver of the shift from analog to digital technology. In recent years, Axis has therefore focused on developing products with HDTV resolution and the majority of Axis' product portfolio was equipped with HDTV during the year. HDTV delivers superior image



## Network video creates benefits

Network, or IP surveillance offers numerous benefits compared with the analog technology. Network cameras offer users the possibil-



quality and the resolution is at least five times higher than with an analog camera.

The development of HDTV is driven by the consumer market and the technology is found in many consumer products, e.g. TV units and cameras. Applying this technology in network video products in professional security installations is a natural step, as the technology implies considerable benefits for end customers in need of a wealth of detail.

### Thermal camera

During the year, Axis became the first company in the world to release thermal network cameras. The cameras, AXIS Q1910 and its follow-up AXIS Q1921, were very well-received by the market and were awarded many international prizes, for having contributed to enhanced supervision of parameters in industrial applications, among other things. The thermal cameras act as thermal sensors and identify the difference between hot and cold. This means that people and objects become visible in total darkness, a feature which is useful in surveillance in the dark at, e.g. nuclear power plants and other sensitive industrial facilities. The cameras are useful for indoor use, e.g. in smoke-filled premises as they deliver image material in foggy, dusty and smoky conditions. In daylight, the cameras can be used for outdoor surveillance in forest areas, where it can be difficult to detect people or objects.

### Easy installation

As systems become more comprehensive, demand is rising for easy and rapid installations that result in time savings and lower installation costs. An important focus area during the year has been on further simplifying installation of the products for the system integrators. Axis' product portfolio includes several innovative solutions,

### Products released during the year

During the year, Axis released just over thirty innovative network video products. For more information, visit [www.axis.com](http://www.axis.com) and select Products.

- AXIS Q6032
- AXIS Q6034-E
- AXIS Q6034
- AXIS Q1755-E
- AXIS Q1921
- AXIS Q1921-E
- AXIS Q1910
- AXIS Q1910-E



- AXIS P3346
- AXIS P3304
- AXIS P5532
- AXIS P5532-E
- AXIS P5534-E
- AXIS P1346-E
- AXIS P1344-E
- AXIS P1343-E
- AXIS P1343-E
- AXIS P1347-E
- AXIS P7701



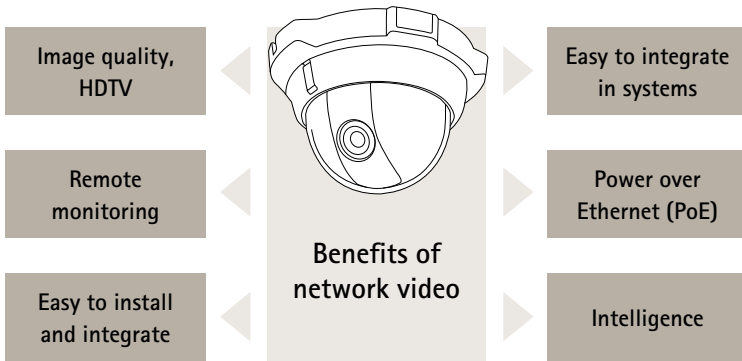
- AXIS M3113-R
- AXIS M3114-R
- AXIS M3203
- AXIS M3204
- AXIS M1114
- AXIS M1104
- AXIS M1113
- AXIS M1103
- AXIS M1054



Axis Camera Station 3.0



Axis' broad product portfolio may be found in an app for cellphones.



All Axis products are built on an open platform, AXIS Camera Application Platform. This means that application developers have the possibility to develop and integrate software applications and in this way adapt the product's functionality to specific fields of application. This possibility is important within intelligent applications, where there are major performance benefits associated with being able to run the applications in the cameras, without encumbering a network with extensive image material.

**AVHS – secure access in smaller installations**

Axis' product offering includes AXIS Video Hosting System (AVHS). By using AVHS, a customer can easily install and manage a security system in smaller installations. Using an internet connection and a subscription with a service provider, the images will be easily accessible on a computer or a cellphone. The material is recorded and administered in the "internet cloud" and the customer gains secure access to video in realtime as well as in recorded form. The AVHS offering is principally directed toward smaller-scale installations in e.g. small stores or companies where they are in need of efficient security installations.

for example, outdoor housings that enclose the camera and mean that the installation can take place easily and cost efficiently. Early in the year, Axis introduced an installation monitor, AXIS T8412, which offers the system integrators greater flexibility during installation of network cameras. The installation monitor shows video in realtime from the actual camera, which means that the installer can easily adjust the camera's surveillance range. The monitor offers user-friendly functions such as touch screen, zoom and still functions and can connect directly to a camera or to a network as it searches for the installed Axis' network video products.

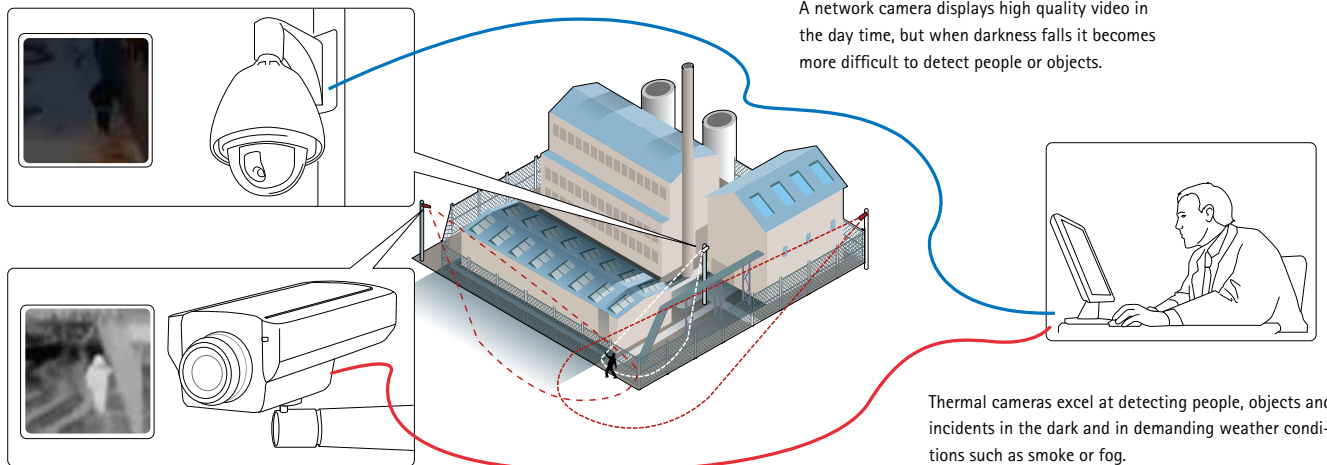
**Intelligent functions are good for the customer**

Network systems offer great possibilities to add intelligent applications. Axis' strategy is to integrate the applications directly in the network camera and to meet customer-specific needs in conjunction with its partners. In the first-mentioned case, more general functions are provided, for example motion detection and a people counter. Customer-specific applications are produced through continual and close contact with application developers (Application Development Partners) who integrate applications according to the end customer's preferences.

**Global open cooperation**

ONVIF (Open Network Video Interface Forum) is an initiative started by Axis, Bosch and Sony during 2008 and which aims to establish a global, open interface standard for network video products and to support the ongoing shift from analog to network surveillance in the security market. At year-end, ONVIF had over two hundred members, including international companies such as Panasonic, Cisco, Genetec, Texas Instruments and Indigo Vision. Almost six hundred network video products were equipped with ONVIF.

**This is how the thermal camera can be used**



A network camera displays high quality video in the day time, but when darkness falls it becomes more difficult to detect people or objects.

Thermal cameras excel at detecting people, objects and incidents in the dark and in demanding weather conditions such as smoke or fog.

# The broadest product portfolio on the market

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## Axis' product lines: Q, P, M and T Line

Axis offers the broadest product portfolio on the market. Four product lines have been defined in order to make the product offering clearer. Each product line has products for different fields of application, for example fixed cameras, PTZ/Dome cameras, video encoders and decoders as well as software for handling video material. Axis' product range is focused on the end users' needs.

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### M Line

Axis' M Line products are fashioned in a functional, simple and attractive design. The products represent good value and deliver the highest image quality in their class. All M Line products offer a user-friendly web interface and standard functions and are quick to install.

Example: The AXIS M11 series, the AXIS M30 series



### P Line

Axis' P Line products are adaptable, versatile and secure. P Line is suitable for a broad spectrum of traditional network video use. With exceptional image quality, high performance and professional design, the products are perfect for large-scale security installations.

Example: The AXIS P33 series, the AXIS P13 series



### Q Line

Axis' Q Line products are the most advanced, secure and adaptable network video products on the market. The Q Line products are based on spearhead technology within network video and deliver superior image quality including highest light sensitivity and also feature the most advanced video management capability.

Example: AXIS Q1921, AXIS Q6034-E



### T Line

Axis' T Line range consists of accessories that supplement Axis' network video products. The products are high quality, functional and allow the customers to adapt their video solutions in many environments and to protect their investments.

Example: Installation display, camera housing, lenses



# Partnership programs create competitive advantages

The company's indirect sales model is a cornerstone in Axis' strategy. This means that the company works in partnership with distributors in each country and with system integrators who reach the end customers. The two-stage model creates loyalty and scalability in the sales organization and proximity to the customers, which delivers competitive advantages.

Axis has 35,000 partners and supports these through different partnership programs with the goal that the company's end customers should be at the cutting edge with their security installations. For example, Axis' partners have access to various sales tools and training and also receive advance information about product releases, which creates competitive advantages for them in the contacts with the end customers. Through partnership, Axis gains valuable knowledge and a good insight into needs and opportunities in the individual markets.



## Distributors – the first stage

In the first stage, Axis' sales take place to a handful of distributors in each country. The distributors stock the products and supply them to system integrators and resellers in line with their sales to end customers or if they decide to stock a product. Axis collaborates with global companies such as Anixter, ADI and Azlan/TechData as well as with domestic distributors.

## The meeting with the end customers

Resellers and system integrators are the partners that usually meet the end customer in a sales discussion regarding a complete solution or about particular products. The system integrators install and integrate Axis' products in security solutions within all end customer segments. Axis' sales people work very close to these partners as regards skills transfer and as support in projects towards end customers. A few of the system integrators that Axis cooperates with are Honeywell, ADY, Niscayah and Convergent Technologies.

## Extension of Axis

Axis Channel Partner Program is open to all system integrators and resellers. The program is designed to allow these partners to create business opportunities based on Axis' market-leading position within network video. Axis provides its partners with support when making offers and in other contacts with the end customers in the form of technical support and assistance in the pricing process. The participants in the channel program also receive information about product releases, access to marketing material as well as the opportunity to participate in Axis' exhibits at fairs. An important element of the program is to provide training within network video to Axis' partners.

## Supplementary applications

Axis also collaborates with over 800 software developers, so-called Application Development Partners (ADPs), which is a key aspect of the company's investment in the professional network video market. ADP companies develop application software which supplements Axis' proprietary software offering, which offers the customer access to a large number of applications covering many different needs.

Participation in the Axis ADP program gives software developers the possibility of fully integrating Axis' network video products into end customer solutions via components such as VAPIX, AXIS Camera Application Platform, open platforms, technical documentation and

dedicated development support. The program enables companies to develop software that can be easily integrated with Axis' products. Axis' offering on the market is broadened through this cooperation and the majority of all installed network cameras are used in conjunction with software from one of Axis' ADPs.

**Assists with technical skills**

Axis also offers a program that is intended for consultants, the Architecture Et Engineering program (A&E). The goal is that the engineers and consultants who design and specify IP security systems shall have access to advanced and user-friendly tools, and also receive training in network video. Knowledge that is useful when an IP security system shall be designed.

**Connects programs**

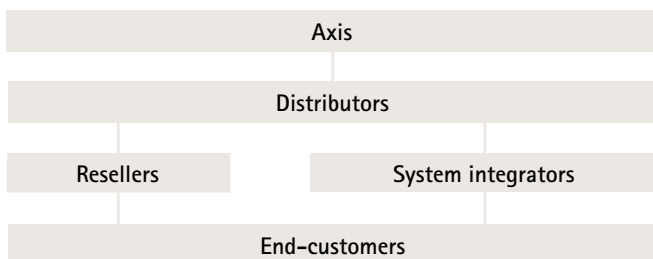
Axis has introduced a Technology Partner Program (TPP) in order to facilitate companies supplying infrastructural components for IP surveillance systems. Industry-leading infrastructure companies are among these partners. The collaboration aims to ensure the compatibility in security installations and optimized installations for the end users. Technology partners and Axis can collaborate to identify market value, such as enhanced functionality and performance, as well as share information and conduct training together.

**Axis Communications Academy**

Training of the market participants is a key component in the technology shift from analog to digital. In the ambitious training program, Axis Communications Academy, system integrators and resellers are trained in the benefits of network video generally and of Axis' products in particular.

Through classroom training in their native language, the participants receive tools and know-how about network video through the entire sales chain from demonstration to installation and support. The training is based on the knowledge that Axis possesses about the market and the issues facing the customers in choosing a network security solution. The training commenced in 2005 and more than 17,000 people have participated since the start.

Web-based training was introduced during the year. Webinars are conducted on an ongoing basis and particularly in connection with the release of new products, where the participants become acquainted with the latest information about both products and technologies.



A certification program has been introduced during the year for partners for the purpose of ensuring that Axis' partners have the right knowledge and skills regarding network video products. A test is carried out by an authorised independent institution in order to become certified. The certification program was introduced in the US market during fall 2010 and it will be gradually implemented in other markets during 2011 and going forward.

## Classification of partners

Axis Channel Partner Program is open to all resellers and system integrators who do business or who would like to do business with a distributor offering Axis' products. The partners qualify for different levels and thereby obtain benefits within sales support, marketing, technical support and product training. The different levels are:

**Authorized partner**  
This level is open to all companies that sell Axis' network video products and that buy from one of Axis' distribution partners. In this level, Axis offers a number of basic benefits in order to help partners achieve successful sales.

**Silver partner**  
System integrators who offer complete solutions, including onsite installation, support and demo equipment are classified as silver partners and receive additional benefits. Partners at this level have also participated in training within the framework of Axis' operations, Axis Communications Academy.

**Gold partner**  
Partners at this level have completed the second level of Axis' training and have shown exceptional business results, measured in revenues, support and training goals. Gold partners are involved in sales of Axis' network video products and have the ability to cope with the most challenging requirements in the end users' security installations.

For more information about partners: [www.axis.com](http://www.axis.com), select Partners.

70

179

countries where Axis has distributors

countries where Axis is represented through partners

*Monday 7 a.m.*

# SECURITY AT WORK PROVIDES THE CUSTOMERS WITH BETTER SERVICE.





## Transport

# Customization provides security and increases commercial benefits

In the transport sector, it is important to maintain good security and take care of employees, passengers and valuable assets. Acts of violence, damage to property and fraud may occasion considerable financial losses. These can be minimized by using camera surveillance, which keeps intruders away and contributes to a safer and more secure environment.

### Safer bus journeys

The public transport in Madrid is owned and run by La Empresa Municipal de Transportes (EMT) which previously had problems providing security and order on board the city's buses. They therefore chose to invest in network cameras from Axis.

"Just one year ago, we had no surveillance system on our buses. When something happened it was almost impossible to identify the culprit", says Iñigo Rodríguez-Rovira Rodríguez, Head of Security at La Empresa Municipal de Transportes.

The authority estimated that vandalism costs us approximately EUR 600,000 each year and therefore it was urgent to solve the problem.

Now about 1,200 of Madrid's buses are equipped with network cameras from Axis. The cameras are connected to an alarm center

which is prepared to turn out when an incident occurs. Each bus is equipped with GPS which facilitates the possibility of locating the vehicle. EMT hopes to attract more passengers going forward, through safer buses.

### Surveillance with a deterrent effect

They have also realized the benefit of surveillance at the Indian port, Vizag Seaport. A demand for improved supervision arose when the International Ship and Port Facility Security Code entered into force. They have installed network cameras in the port which keep a watchful eye over the area.

"We looked for a surveillance system which could guarantee security and improve our own efficiency. Thanks to Axis we have achieved this and much more", says Raghav Kishore, CEO, Vizag Seaport Ltd.

The surveillance system has reduced the need for patrolling guards in the port. The management can also monitor the area remotely and take rapid decisions without being on site. Consequently, the system saves both time and money. Furthermore, theft and damage to property has decreased.

Network cameras are used in the transport sector in order to provide security for personnel and passengers. The cameras can also contribute to streamlining logistics operations by tracking and monitoring goods and traffic flows.

#### Important features

- > High image quality
- > Resistance to different weather conditions and to tampering
- > Built-in alarm in event of tampering.
- > Motion detector, zooming and autofocus.

#### Typical Axis products

AXIS M3114-R  
AXIS P13 series  
AXIS P33 series  
AXIS Q60 series  
AXIS Q19 series

# Mission:

## To make the world a little easier

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Axis aims to offer the best network video products on the market and to retain its market-leading position in the long-term. Therefore, research and development is a highly prioritized area. Through a high rate of innovation, Axis can continually refine its network video products and make everyday life easier for the users.

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Axis' investments in research and development increased during the year to SEK 382 M (332), which corresponds to 13.0 percent (16.1) of the group's sales. The research and development operations are mainly conducted at the headquarters in Lund, Sweden. 400 engineers work in the company on development of both software and hardware for the technology platforms and products of the future. The work results in a high release rate of new products and a broad range of qualitative security solutions.

### Openness – a competitive advantage

Axis' development work, like the rest of the operations, is characterized by openness, collaboration and partnership. All products are built on an open platform, in the form of the LINUX operating system, which means that an installation can be easily customized to the client's needs and integrated into a security system.

### Quality – a consistent component

Through business intelligence, Axis can identify future market needs and convert these in the development work to create new value for the customers. A fundamental aspect of the work is that the company's solutions should be characterized by the highest quality. From concept to production, strict demands are imposed on testing of different materials as well as functionality. Demands for image quality, i.e. light sensitivity, dynamics, color reproduction and resolution in the network cameras are constantly increasing.

### Focus areas

Axis has focused on the following areas during the year:

#### > Proprietary chip

Axis conducts long-term work on development of proprietary chips that deliver high image quality and fulfill the demands of the network video products of tomorrow. ARTPEC® is an innovative image processing and image compression chip, delivering high performance, good bandwidth efficiency and high image quality.

#### > HDTV quality

In order to continue offering the market's highest image quality, Axis has developed and released additional network cameras delivering HDTV quality, which have been very well-received by the market.

#### > Simplicity in the installation

Creating simplicity in the installation of products and systems, by developing products which may be installed easily, saves the customers time and money.

#### > System stability

Stability is of the greatest importance for a security system and a large part of the development work is focused on the software's

features. One example is Arctic Temperature Control, which means that the products function under severe arctic climatic conditions.

> **Image analysis**

Axis' long-term work within image analysis has given the company solid experience and a high level of expertise in the area. Examples of functions include alarm in the event of vandalism (Active Tampering Alarm) and transit of a fence (Cross Line Detection). Other functions are developed by partners within application development (ADPs), for example, measurement of customer flows in stores or face recognition.

Read more about product releases during the year in the product section on page 16.

**Patents strengthen the patent portfolio**

Axis' investments in technological and product development are protected by patents and registered designs. Axis' patent strategy aims to protect and safeguard the possibility of refining products within the network video area.

During the year, applications for ten new patent and registered design families have been filed. They describe Axis' latest inventions within network technology and camera construction, and also include Axis' innovative design. 24 national patents and a number of registered designs were granted during the year. The patent portfolio now contains 81 active patent and registered design families.

Axis acquired a patent portfolio from Hoya/Pentax in early 2011. With the acquisition, Axis strengthens its patent portfolio in relation to network communication through additional patents regarding



handling of images in networks, for example, handling of images via e-mail.

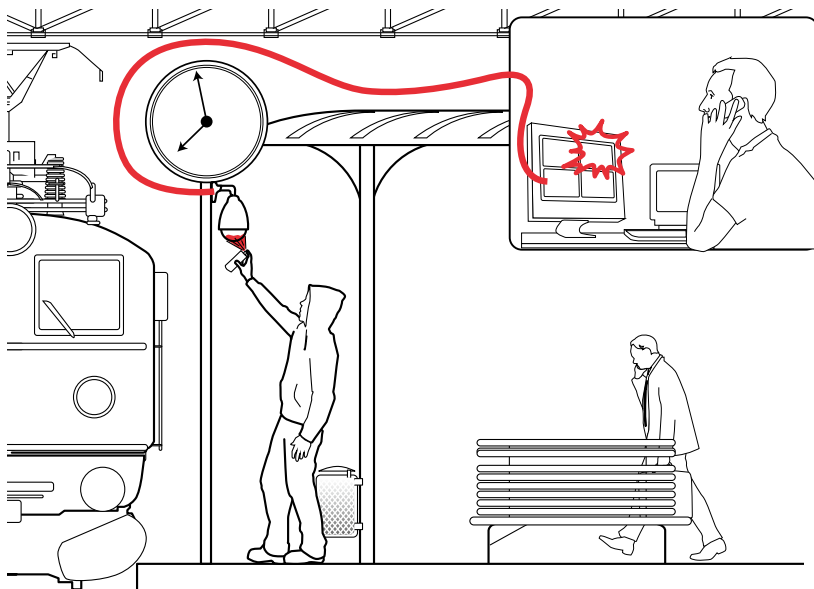
**Cooperation with universities and colleges**

Since its foundation, Axis has collaborated with universities and colleges and offers students the possibility of carrying out course work. Axis has long-term and good relationships with research groups at Lund University, The Royal Institute of Technology, Chalmers University of Technology and the Institute of Technology at Linköping University.

**Function delivering added value**

Video surveillance installations are becoming more comprehensive and easy handling of the large number of the cameras in one system is a challenge. The work of the operators is facilitated by integrating intelligent functions in cameras. An example of such a function is Active Tampering Alarm which

means that when a camera is subjected to damage or an accident e.g. diversion, blocking or blurredness, an alarm is sent to the operator who immediately takes the correct action. The function is particularly useful in cameras which are installed in difficult environments where weather, vibrations or dirt can disrupt the camera's performance such as in schools, prisons, on buses and trains.



# Delivery security and quality in the entire chain

The delivery of Axis' products to the customers is secured through a high degree of service throughout the entire supply chain, from component procurement to transport of products to distributors. During the year, the work focused on ensuring component availability in light of the increased demand for components on the world market. This work has been carried out successfully without any major disruptions.

All manufacturing of Axis' products takes place in collaboration with companies that are specialized in contract electronics manufacturing and which have a high level of expertise within the area. To ensure continuous and flexible production, Axis uses selected contract man-

ufacturers with factories around the world. During the year, existing suppliers were evaluated and the supplier portfolio was broadened geographically, which guarantees Axis' delivery security to the customers.



## More than 5, less than 25

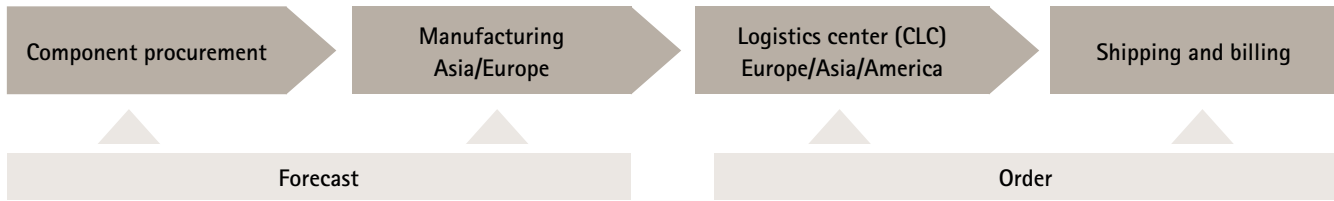
Part of the supplier strategy is that Axis shall account for more than 5 % but less than 25 % of each supplier's sales. This is to ensure strong focus on the part of the suppliers, flexibility and the possibility to rapidly scale up and down volumes. Axis also demands that contract manufacturers should be ISO 9000 and ISO 14000 certified.

In order to supply the market with the right products at the right time, correct and reliable forecasts and efficient order handling are of critical importance. The forecasts form the basis for production planning and procurement.

## Good management of component shortage

The component shortage, which arose due to greater demand on the world market which the suppliers could not meet, was an important issue during the year. The lead times for certain components, which previously were 4–8 weeks, increased rapidly to 14–20 weeks. Axis' network video products could be delivered to the market without

## Scalable efficient process



significant disruptions by virtue of already well-established cooperation between Axis' subsidiaries, headquarters and subcontractors and through redesign of certain products.

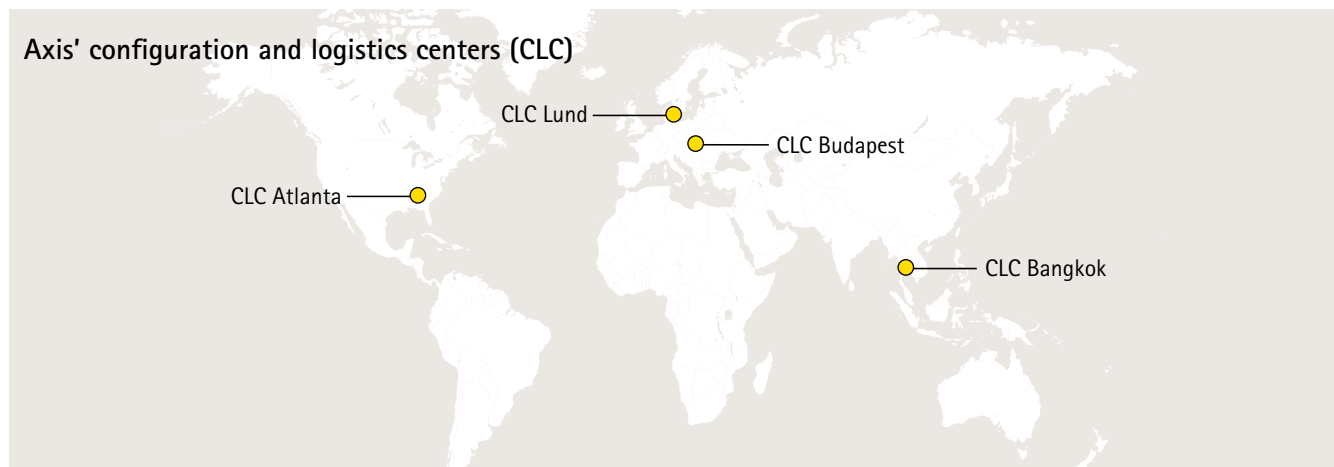
### Flexibility in the manufacturing processes

Axis creates production documentation, that the contract manufacturers have online access to, through Axis' production database system, and prepares the start of production while ensuring the supply of strategic components such as the proprietary chips ETRAX® and ARTPEC® and image sensors. The electronics production is then carried out by the contract manufacturers. By not owning its own production equipment, Axis increases its flexibility and capital is not tied up in production.

### Quality is a watchword

Production takes place according to well developed production instructions that are supplemented with quality control by Axis' production testing system, both in production and final assembly. The final assembly means that the products are configured for indoor or outdoor use, loaded with software, packed with power units for the country concerned and quality assured in Axis' configuration and logistics centers (CLC) in Sweden, Hungary, Thailand and the US.

The products are transported from the manufacturers to the center in bulk containers and are then transported the final stretch to the customers in individual containers. This process more than halves the total transport volume and reduces the environmental impact.





## Personnel

# Skilled employees provide knowledge to the customers

Axis' corporate culture is characterized by openness, which pervades the entire company from product development to the meeting with the end customers. A customer survey during 2010 showed that Axis' customers attached great importance to the fact that the company's employees are highly skilled and willing to share their knowledge. The work within Human Resources during the year has focused on securing the corporate culture, which provides the basis for knowledge transfer, and also on integrating new recruits into the company.

Axis is growing rapidly and since 2004 has continually recruited employees to the company. 140 employees were added during the year and there were 914 (774) employees in the company at year-end, which represents an increase of 18 percent. Hiring primarily took place within sales, marketing and research and development, but also within sales support functions. At December 31, 2010, 602 employees (502) worked at the headquarters and other personnel 312 (272) were distributed at Axis' operations in more than 30 locations throughout the world (see note 19).

### Recruitment for growth

Axis works purposefully to recruit new employees in order to manage an expanding business. With a high rate of recruitment during the year, a key element of the Human Resources work has been to hire and introduce new employees, further develop the company's person-

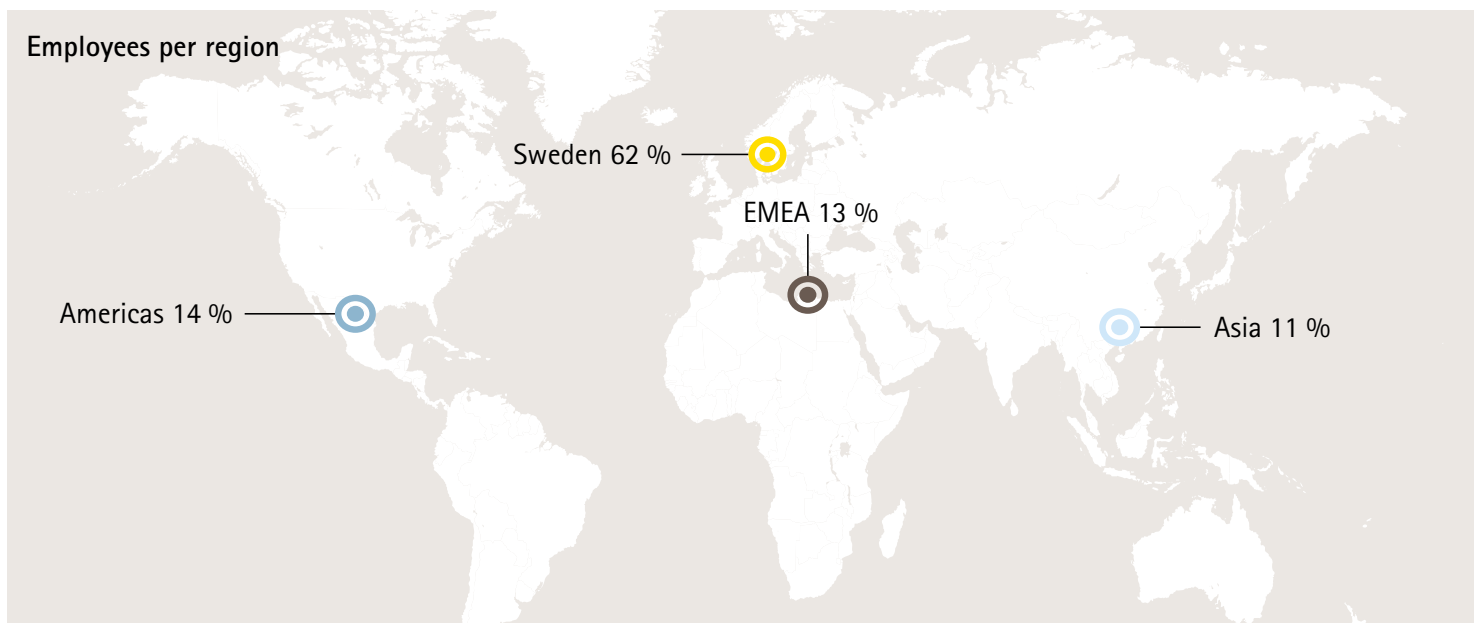
nel and ensure that the strong corporate culture is maintained.

Knowledge, experience and personality are in focus during the recruitment process. All positions were advertised on the company's website, via external recruitment sites and on the intranet to encourage internal mobility. Through internal recruitment, skills are secured within the company, while at the same time, mobility within the company is stimulated.

### A good value system is observed.

Axis' established corporate culture and values form the basis for an attractive working environment and create conditions for profitable growth. The emphasis is on giving the individual freedom and confidence in his/her work and always being open to new ideas and opportunities, in combination with a good team spirit.

## Employees per region



To operate as one company, (Act as one), to act openly (Always open) and think big (Think big) are the basic core values within Axis. The employees are encouraged to question, take the initiative, take responsibility and to always aim for the same goals. The values are at the center when potential employees shall be attracted and in further developing existing employees.

### Knowledge is spread over borders

A global company such as Axis constantly faces challenges when it comes to holding together the organization in a growth phase. A number of initiatives were taken during the year aimed at communicating Axis' value system to all employees and to exchange experiences between countries and organizations via networks. All new recruits undergo corporate training locally, where they gain a good insight into the company's history, operations and future plans. Many new recruits also receive the opportunity to participate in international training which includes meetings with people in senior management positions at the headquarters in Lund. Management training commenced during the year in order to create a good platform for newly appointed managers in the global organization. Furthermore, a mentor program has started in order to ensure the exchange of experience between both geographical and functional units.

Apart from training opportunities, great importance is attached to knowledge transfer between employees, departments and age groups in order to spread knowledge within Axis' different skills areas.

### An attractive workplace

To secure high skills levels in the future and to be an attractive choice for new graduates, Axis maintains close cooperation with Lund University which goes back a number of years. Axis supervises a number of degree projects every year, and confers the annual Axis Award to one or more students who have made an active contribution to increasing knowledge in the network video area.

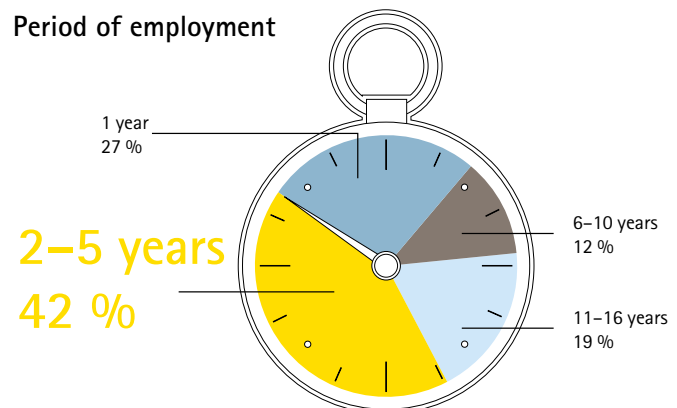
Axis is also active within a number of regional networks in partnership with universities, the business community and politicians. These

have the aim of increasing interest in running businesses in the region, attracting people with the right skills profile and acting to ensure that the region shall offer an attractive environment to live and work in. Axis is also active within the organization Transfer Teknik, which works to increase secondary school students' interest in technology, science and IT.

Employee statistics	2010	2009	2008
Number of employees worldwide	914	774	716
Women	244	214	195
Men	670	558	521
Average age	36	37	37
Employee turnover, % (persons who resigned)	6.4	5.6	11
Employees with university degrees, %	75	72	74

Absence due to illness, % (Swedish operations)	2010	2009	2008
Total	2.0	2.4	3.0
Women	3.1	3.6	4.0
Men	1.7	2.0	2.5
< 29 years	2.9	3.5	2.8
30-49 years	1.8	2.1	2.7
50-65 years	2.0	2.1	4.9

### Period of employment



# Insight into sustainable development

Axis' work on sustainability issues proceeds from Axis' code of conduct which is based on international guidelines for corporate governance, environmental considerations, social responsibility and business ethics and is driven integrated in the business processes. The intention is to create value for shareholders and other stakeholders as well as build relations and take responsibility in social and environment-related matters.

The strategic responsibility for Axis' sustainability work is held by a steering group consisting of representatives from the management team and relevant functions. A decision was taken by Axis in 2010 to report in accordance with the Global Reporting Initiative (GRI) in the future. The day-to-day work is conducted through an increasingly structured process involving analysis, implementation and follow up with the aim of creating management by objectives in the sustainability area.

The sustainability work is based on four cornerstones; corporate governance, financial control, environment and social aspects. Corporate governance and financial control may be found on page 39.

## Code of Conduct

The company's Code of Conduct contains guidelines relating to ethical business behavior including handling of conflicts of interest and repudiation of bribes and corruption. The code is based on the following international principles:

- > UN's Universal Declaration of Human Rights
- > The UN's Global Compact initiative which aims to promote social and environmental responsibility in companies operating internationally. Axis has reported activities carried out during the year within the Global Compact framework. For a complete report see [www.unglobalcompact.org](http://www.unglobalcompact.org)
- > ILO Declaration on Fundamental Principles and Rights at Work.

The code of conduct shall be considered when decisions shall be taken in all areas from research and development to marketing. The code and Axis' overall policies apply for the entire group, while the application may vary slightly between different countries due to national legislation, among other things.

It is of great importance to Axis that its employees act correctly in all business related situations. All employees are expected to promote, contribute to and uphold the company's values, integrity and responsibility. Axis also encourages its suppliers, distributors, system inte-

grators, consultants and other business partners to follow these principles. This is accomplished through information and documentation.

## Working environment

Axis ensures that the employees work in a safe and healthy environment in accordance with international and national legislation. The efforts in relation to the work environment and occupational safety have increased. During the year, a work environment council with employee representatives was formed and a safety representative was chosen from among the employees in the Swedish part of the operations. Axis strives to offer a competitive compensation package in the local market, so that the employees should feel motivated. An evaluation tool was implemented during 2010 for the purpose of conducting surveys about the relationship between basic salaries for men and women and different respective occupational categories.

## Axis' responsibility in the value chain

Axis has a global sphere of interest which covers all from subcontractors, contract manufacturers, Axis Configuration and Logistics Centers (CLC), distributors, system integrators and resellers to end customers. Axis has suppliers in Europe, North America and Asia.

The products are sold via an indirect distribution model, where Axis' sales in the first stage, are made to the distributors. They stock the products and deliver them to system integrators and resellers which supply the end customers.

The business model means that a major part of the responsibility for production, distribution and installation of Axis' products lies with the company's partners. In support of this, Axis pursues close collaboration through a Channel Partner Program, among others, which includes different forms of training.

Axis also works with supplier contracts which impose requirements in respect of working conditions as well as financial and ethical demands.



Axis requires that contract manufacturers and carriers should be ISO 9000 and ISO 14001 certified. Suppliers of principal components and semi-manufactures are examined through a carefully designed process where the critical factors are price, environment, quality, ethics and flexibility. Workplace visits are also part of the evaluation of the suppliers.

### Sales comply with international restrictions

Sales of Axis' products on a global basis are regulated by international and national regulations, applicable European and American export restrictions as well as laws and regulations in the country in question. In Axis, the Export Control Organisation, which is composed of representatives of the different business areas, is responsible for dealing with these matters. Their responsibility is to ensure that all customer orders with known end customers are handled and documented in accordance with export restrictions in force. In cases where uncertainty arises as to the interpretation of restrictions in force, the Export Control Organisation checks with Axis' ethical council, which consists of the management team.

### Environmental considerations in the entire value chain

Axis' ambition is that environmental considerations shall be applied in the entire value chain, from choice of materials in components to use of the finished product. The latest available technology is used in development of new products in order to minimize energy consumption and the environmental burden of Axis' products and solutions.

Axis continually evaluates the operations and products in order to increase its knowledge of the environmental impact caused. A clear result of the environmental work is that the products' energy consumption has been reduced sharply over time. The cameras have also been designed in a more compact way, which reduces material usage and transportation volumes.

Axis cooperates with component manufacturers in order to minimize the use of hazardous components and substances in existing or future products. Axis meets the requirements of the EU's directive on restriction of certain hazardous substances in electrical and electronic equipment, the RoHS directive, as well as the requirements in the EU's directive on collection and recycling of electrical and electronic products (WEEE). Axis also complies with the requirements in the EU's REACH directive on registration, evaluation, authorization and restriction of chemicals. All suppliers must provide information about the raw materials used in products supplied to Axis and give recommendations about how worn-out products should be dealt with. In order to further reduce the number of dangerous and undesired substances in the products, Axis has produced its own list of prohibited substances in addition to the statutory requirements. The list will help Axis to be well-prepared ahead of any more stringent requirements on the market.

During 2010, Axis completed a life cycle analysis on one of the company's network video products, AXIS Q6032-E PTZ. The analysis showed that a considerable part of the environmental impact during the lifecycle of the products is related to their energy consumption during use by the end customers. Thus, great importance is attached



in the development process to designing products with good energy performance.

Axis produced a Carbon Footprint Report during 2010 in order to describe the environmental impact of its operations from carbon dioxide emissions. The result of this report will be presented in Axis' sustainability report ([www.axis.com](http://www.axis.com)).

Axis aims to use environmentally certified bulk transportation, i.e. that products are shipped in large consignments in order to reduce environmental impact. The transportation itself has the greatest environmental impact in the logistics process.

### Remote access reduces transports for customers

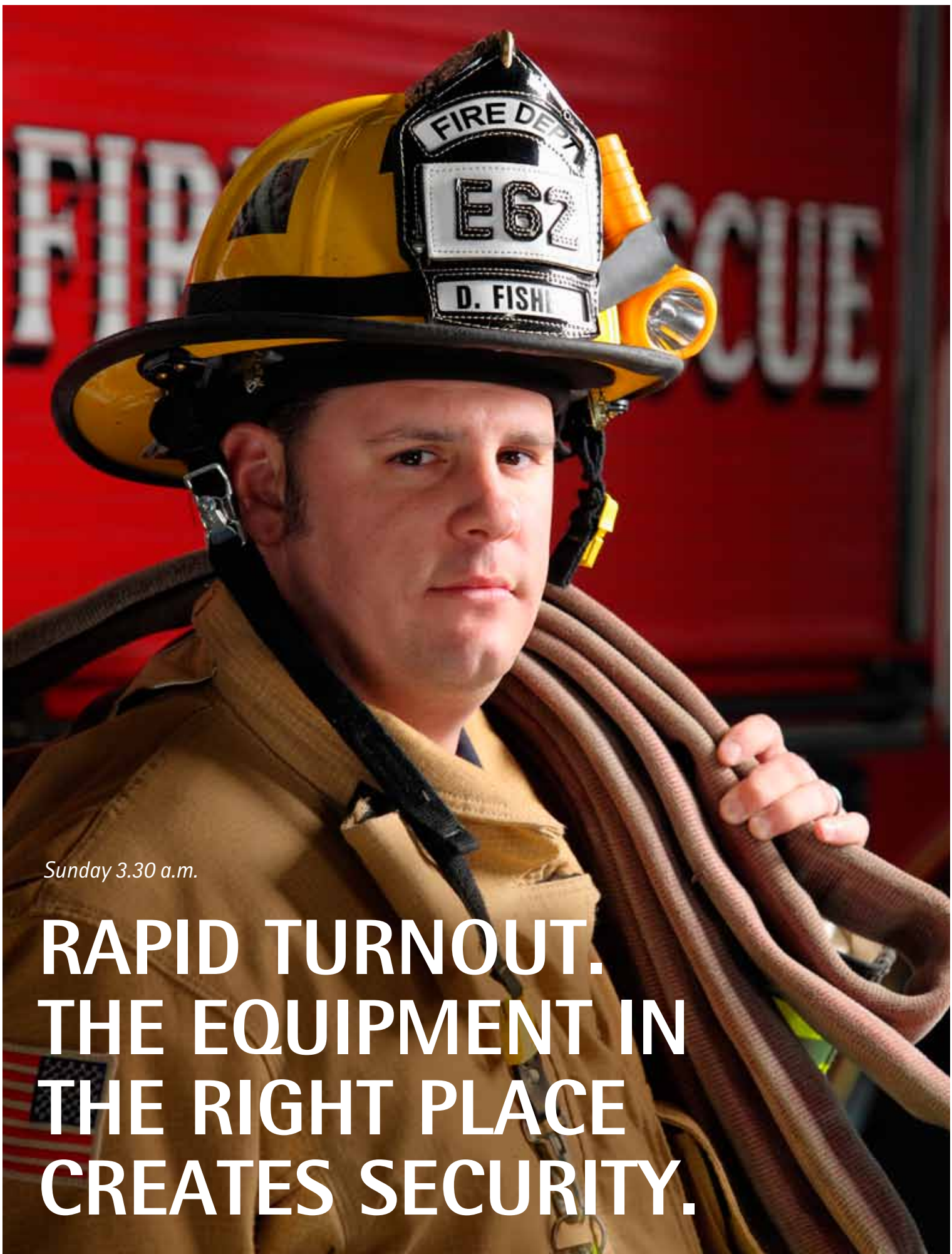
An important benefit of Axis' products is that they imply lower environmental impact than traditional cameras through the possibility of remote monitoring. This means that a customer with operations spread in different geographical locations can monitor the operations remotely, which can mean that the number of journeys is minimized and carbon dioxide emissions reduced. Compared with analog cameras, an installation of network video products also reduces energy consumption, waste and cabling, which offers environmental benefits.

### Promotes safety and security

The right to feel safe and secure is one of the most important basic principles in society and surveillance systems play an important role in this connection.

Products that are deployed for surveillance or guarding have sometimes been in focus in the current debate surrounding personal integrity. Axis' viewpoint is that a surveillance system in itself is not a violation of privacy. Axis informs partners and suppliers about important factors to consider during installation of a security system.

There are a number of examples on Axis' website of customer installations within public surveillance that indicate improved security and less vandalism in areas where cameras were installed.



*Sunday 3.30 a.m.*

**RAPID TURNOUT.  
THE EQUIPMENT IN  
THE RIGHT PLACE  
CREATES SECURITY.**

## Public surveillance

# Surveillance contributes to a safer society

In the public environment it is important to maintain the citizens' security. Use of network cameras from Axis may prevent crime and accidents. In addition, the cameras help ensure that the resources of the community can be directed where they are needed the most.

### Prevents incidents

For the firehouse in West Babylon, New York, it is important to maintain order around-the-clock. Previously, they had problems with equipment being moved or lent out. This often caused problems during turnout as they lacked equipment. Therefore the firehouse elected to install network cameras from Axis.

"The cameras help us to keep a watchful eye on the station. Our equipment must be intact since we are continually on standby and must turn out immediately", says Rich Vella, Head of Administration at West Babylon Fire District.

The good image quality makes it easy to identify those responsible when something happens despite everything. Since the network

cameras have been installed it has become easier to keep order on equipment which facilitates rescue operations.

### Rapid turnout

In the Serbian city of Novi Sad, they have chosen to install network cameras from Axis. The objective is to create a safer environment for the residents through surveillance of public places. The highest priority is given to schools, universities and public transport. The surveillance takes place in realtime which prevents crime and creates security. It was also important for Novi Sad to have HDTV quality which Axis' cameras offer.

"We are very happy with the results. Using Axis' network cameras it is possible to monitor the whole of Novi Sad from a central unit", says Vladimir Knežević, Technical Manager at JKP Informatika Novi Sad.

Axis' solution has streamlined the surveillance of Novi Sad's key sites. Using the cameras, the needs of the city can be analyzed easier and resources directed to where they are most needed.

Camera surveillance can provide security for citizens in particularly vulnerable places and video can facilitate the production of evidence if a crime is committed. Examples of other fields of applications are surveillance of property, traffic and areas threatened by fire and floods.

#### Important features

- > High image quality regardless of light conditions
- > Resistance to different weather conditions and to tampering.
- > Wide surveillance range per camera.
- > 360° mobility, zooming and autofocus.

#### Typical Axis products

AXIS 215PTZ  
AXIS 6032-E  
AXIS 233D  
AXIS Q1755  
AXIS P3343-VE

# Favorable trend for the Axis share

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 and to comply with the regulations for listed companies.

Axis was floated on the Stockholm Stock Exchange's O list on June 27, 2000. Since July 1, 2008, Axis has been listed on NASDAQ OMX Nordic, Mid Cap segment under the ticker AXIS.

## Communication with the market

Representatives from Axis regularly meet analysts, lenders and shareholders in order to provide a continuous view of the performance during the financial year. The published interim reports and the annual report are distributed to shareholders upon request. The documents may also be downloaded in PDF format from Axis' website and through external providers, for example via Dagens Industri's website.

Press releases, interim reports and the year-end report are published on the website in Swedish and English in accordance with the regulations of the stock exchange.

## Positive price trend

The general trend on the world's stock exchanges was positive during the year. The stable financial development in 2010 meant that the Axis share increased in value by 46 percent in total during the year. During 2010, the Axis share had a turnover of 45,396,941 shares which gave an average turnover of 179,435 shares per trading day, at a value of SEK 18.6 M. Trading in the share took place on all trading days. The trading rate during the year was 0.65 times.

The final price paid on December 30, 2010 was SEK 122.5 (83.75). The highest price, SEK 124.00 was recorded on December 30. The lowest price of the year, SEK 82.25 was recorded on August 27. The average price of the share during 2010 was SEK 101.31 (66.83). Axis' market capitalization as at December 30, 2010 was SEK 8,509 M (5,810), which corresponds to an increase of 46 percent during the year.

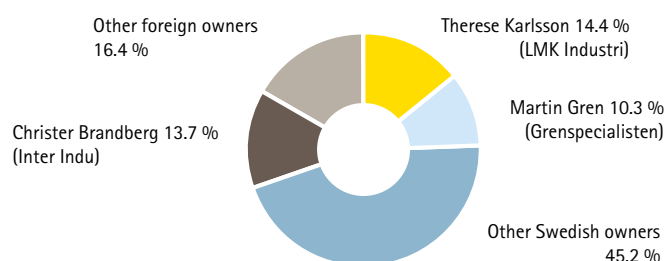
## Ownership

The number of shareholders at year-end was 17,459 (17,571). Each share in Axis gives entitlement to one vote.

The proportion of Swedish-resident shareholders was 95.4 percent (16,659 persons), with a combined shareholding of 69.9 percent. The number of shareholders resident outside of Sweden was 4.6 percent (800 persons), representing a combined shareholding of 30.1 percent. It should be noted that the second largest shareholder, Inter Indu, is a foreign-registered company.

The holdings of the ten largest owners represented 62.1 percent of the total number of shares. The largest individual owners are Therese Karlsson (via LMK Industri), followed by Christer Brandberg (Inter Indu) and Martin Gren (Grenspecialisten). On the next page, Axis' ownership is shown as at December 30, 2010.

## Ownership distribution



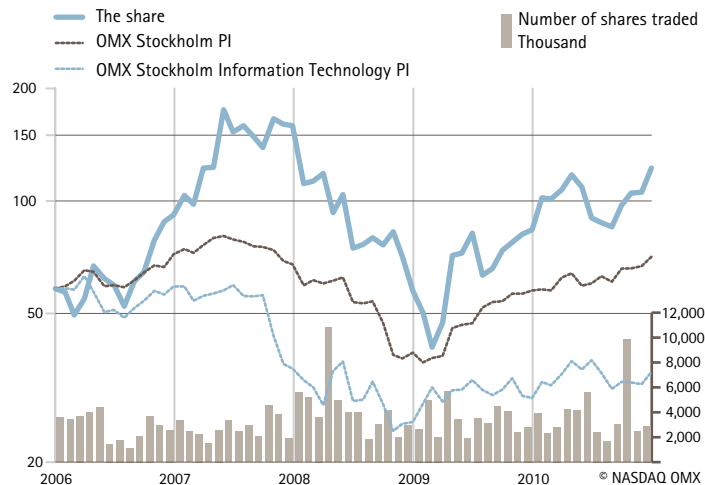
## Dividend and dividend policy

Axis' dividend policy is to declare a dividend amounting to approximately one third of the profit for the year after tax, taking the group's target equity/assets ratio into consideration. The board of directors proposes a dividend of SEK 4.50 (4.00) per share for the 2010 fiscal year, of which SEK 3.00 constitutes an extra dividend.

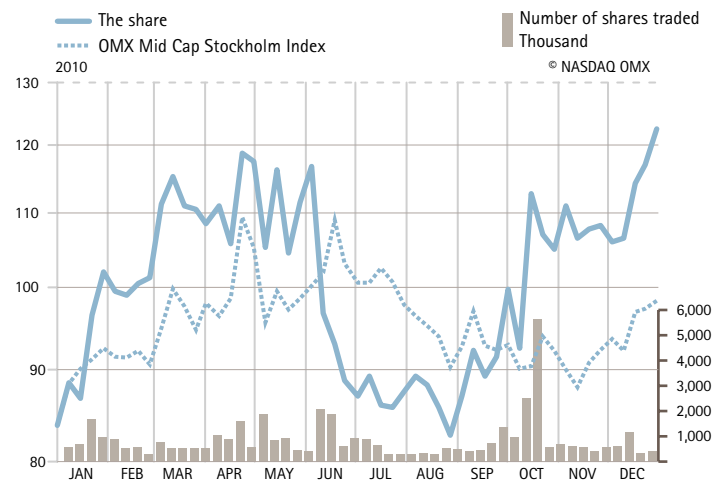
## Employee stock option program

Axis has no outstanding stock option programs.

## Axis share price trend 2006–2010



## Axis share price trend during 2010



## Shareholders

	Number of shares	Percentage
Therese Karlsson (LMK Industri AB)	10,000,000	14.4
Christer Brandberg (Inter Indu S.å.r.l)	9,516,667	13.7
Martin Gren (Grenspecialisten AB)	7,157,471	10.3
Swedbank Robur	4,702,360	6.8
Didner & Gerge Funds	3,367,800	4.8
<b>Total 5 largest shareholders</b>	<b>34,744,298</b>	<b>50.0</b>
Other	34,716,952	50.0
<b>Total</b>	<b>69,461,250</b>	<b>100.0</b>

## Ownership December 30, 2010

Holding	Number of shareholders	Number of shares	Holding (%)	Votes (%)	Market value (SEK, thousand)
1–500	12,902	2,201,605	3.17	3.17	269,697
501–1,000	2,359	2,064,636	2.97	2.97	252,918
1,001–5,000	1,721	4,079,203	5.87	5.87	499,702
5,001–10,000	221	1,704,314	2.45	2.45	208,778
10,001–15,000	66	821,224	1.18	1.18	100,600
15,001–20,000	27	483,237	0.70	0.70	59,197
20,001–	163	58,107,031	83.65	83.65	7,118,111
<b>Total</b>	<b>17,459</b>	<b>69,461,250</b>	<b>100.00</b>	<b>100.00</b>	<b>8,509,003</b>

## 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

## Data per share

	2010	2009
Profit after financial items, SEK	5.95	4.40
Operative cash flow, SEK M	338.4	160.3
Cash flow, SEK	0.93	1.27
Equity, SEK	9.03	8.77
Share price at the close of the period, SEK	122.50	83.75
Price/equity, percent	1,357	955
Dividend, SEK	4.00	1.25
P/E ratio	28	27
P/S ratio	2.90	2.53
Number of outstanding shares (thousands)	69,461	69,376
Average number of shares (thousands)	69,406	69,374

## Analysts

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

ABG Sundal Collier	Anders Hillerborg
Carnegie	Charlotte Widmark/Fredrik Lithell
Enskilda Securities	Johanna Ahlqvist
E. Öhman j:or Fondkommission	David Jacobsson
Handelsbanken Capital Markets	Fredrik Agardh
Nordea	Daniel Djurberg
Redeye	Greger Johansson
Swedbank	Håkan Wranne
Ålandsbanken	Mikael Laséen

Margareta Lantz  
Manager Investor Relations &  
Corporate Communications



# Continuous management of risk

Axis is an international group and is thus exposed to a number of different risks in its everyday operations. The 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. The board has been involved in all material aspects of the risk assessment during the year.

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

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

## External risk

Axis is impacted by global macroeconomic trends, like the majority of multinational companies. The world economy has gradually recovered during 2010, which positively impacted many companies' investment capabilities. However, macroeconomic problems remain in many countries which may result in financing problems for Axis' customers with postponed sales as a consequence. Axis works on the basis of detailed monthly sales forecasts and carefully monitors global trends in order to take the necessary measures when conditions change.

Terrorism and political turmoil in many countries, particularly in Asia and the Middle East, can naturally have a negative impact on Axis' global expansion. Another, partly political question, is social acceptance of camera surveillance as well as the privacy issues 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 technological solutions. Axis is market-leading on the global network video market and is a company that is expanding strongly. The expansion plans are based on strategic assumptions and forecasts about the market trend. In the event that the technology shift proceeds at a slower pace than expected, it may give competitors the opportunity to strengthen their market positions. Axis' strategy is to maintain the pace of the technology shift by continually training customers and system integrators in the benefits of network video and thereby increase 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 currently gives Axis a distinct advantage over other players on the market. The quality is ensured through a well-defined quality and testing process as well as through skilled and careful suppliers. In order to minimize risks in the supply chain, from supply of components to delivery, Axis works with a number of subcontractors that are equally important from a competence and capacity perspective. Demand for electronic components on the world market increased again at the end of 2009 and during 2010 at a faster pace than the rebuilding of delivery capacity, which has led and may lead to general component shortages during the first half-year 2011.

The growing network video market is attracting more and more players which is leading to increased competition. Several of the companies (including Sony, Pelco, Panasonic and Bosch) that were previously active within analog camera surveillance, are now gradually converting their product offerings to network technology. Market shares and market leadership can be maintained through careful competitive intelligence, a capable global sales force as well as vigorous and rapid product development.

Under the prevailing macroeconomic conditions, the risk exposure in relation to the group's customers is considered to have fallen slightly. The group's finance function continually monitors days sales outstanding and payment behavior etc. in all regions. Credit risks from operating flows are handled at a regional level. The group's credit policy establishes the framework for how credit risks and credit exposure should be handled.

### Intellectual property risks

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

### Financial risk

Axis' finance policy prescribes how responsibility for financing activities is allocated within the group, which financial risk the group is prepared to accept, as well as guidelines for limiting this risk. The finance policy is adopted by the board annually. The Treasury Department within Axis AB has principal responsibility for the group's financial activities and for ensuring that the finance policy is adhered to. The Treasury Department operates as an inter-company bank, with the task of ensuring that the group has credit facilities, that the subsidiaries have the required operating liquidity and that the group's foreign exchange risk is monitored. The Treasury Department does not have its own risk mandate. Financial risk is divided into the following categories:

- > Foreign exchange risk: the risk that currency fluctuations produce a negative impact on the group's results.
- > Interest risk: the risk that fluctuations in market interest rates may have a negative impact on the group's results.
- > Financing risk: the risk that it may not be possible to renew credit facilities, and that this would affect the group's liquidity.
- > Counterparty risk: the risk that the group's financial counterparties may not be able to fulfill their obligations, and that this would have a negative impact on the group's results.

### Foreign exchange risk

The group's strong international character with Axis' employees in more than 30 countries, customers in 179 countries and sourcing and production in a number of countries, results in foreign exchange flows in several different currencies. Apart from a number of smaller currencies representing insignificant flows for Axis Group, USD and EUR constitute the group's main currencies. A large proportion of the currency flows can be matched off via the group's centralized treas-

ury department. The group's foreign subsidiaries largely operate as local sales companies with limited net investment on the part of the parent company. Axis' finance policy defines how foreign exchange risk is to be monitored and managed. Hedging of flows in foreign currencies may only take place on a project basis. Investments in foreign subsidiaries are not hedged.

### Interest risk

The finance policy states that the Treasury Department must minimize the interest expense as much as possible. The interest risk in the surplus cash and cash equivalents is handled so that the average fixed interest rate period on all investments must not exceed six months. Under the finance policy, the Treasury Department may employ interest rate derivatives to ensure that interest rates on utilized credit facilities do not fluctuate by more than two percentage points over one year. The interest risk for 2010 was marginal, since the credit facilities were only partly utilized during the year.

### Financing risk

The finance policy states that the Treasury Department must ensure that the group always has credit facilities with at least one bank. Axis must have access at all times to at least SEK 200 M in cash and cash equivalents and/or unutilized credit facilities, taking into consideration the group's dividend policy. On December 31, 2010, Axis had SEK 366 in cash and cash equivalents, as well as unutilized credit facilities of SEK 200 M, compared with SEK 302 M and SEK 200 M respectively on December 31, 2009.

The surplus 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 six months. As of December 31, 2010, SEK 110 M was invested in fixed-interest securities with an average term of 2.9 months. The corresponding figures on December 31, 2009 were SEK 40 M and 2.9 months.

### Counterparty risk

The management of counterparty risk in investments is regulated by the finance policy which states that the long-term rating must not be below Moody's A or Standard & Poor's A. The short-term rating must be Moody's P-1 or Standard & Poor's K-1 or A-1.

### Sensitivity analysis

The table below indicates the effect of the most important factors on Axis' results for fiscal year 2010. 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	+/- 14
Currency, SEK/EUR	+/- 5	+/- 32
Purchasing	+/- 5	+/- 53
Personnel	+/- 5	+/- 35

## Administration report

The Board of Directors and President of Axis AB (publ) 556241-1065 submit the following financial statements and consolidated financial statements for the fiscal year January 1, 2010–December 31, 2010. Unless otherwise stated, all amounts are in SEK millions. Information in parenthesis refers to the preceding year.

### Operations

Axis is an IT company offering network video solutions for professional installations. The company is the global market leader in network video, driving the ongoing shift from analog to digital video surveillance. Axis' products and solutions focus on security surveillance and remote monitoring and are based on innovative and open technology platforms.

Axis is a Swedish company, which acts globally through its own personnel in more than 30 countries and through collaboration with partners in 179 countries. Founded in 1984, Axis is listed on NASDAQ OMX Stockholm, under the ticker AXIS. For more information about Axis, please visit our website at [www.axis.com](http://www.axis.com).

### Significant events

During the year, the network video market continued to grow at a favorable rate, driven by the technology shift from analog to digital solutions. As the financial crisis has stabilized and the market has recovered in some respects, demand has also increased for network video products. There was a very strong close to the year and all markets simultaneously showed good sales results. In the Video product area, Axis strengthened and advanced its position as a market leader with sales growth in local currencies of 37 percent. The market presence was strengthened by reinforcing sales resources with own personnel on both established and on new geographical markets. Axis has continued to pursue geographically diversified recruitment where the sales people operate from "home offices" both in the established markets and in emerging markets.

A high pace of product development has continued throughout 2010. Several new innovative products featuring better performance and increased intelligence were released and received positively by the market. In total more than 20 new models and a number of variants were released. Generally distinguishing features of the new products are the image compression standard H-264 which more than halves the bandwidth and storage capacity requirements compared with the previous MPEG-4 standard. Another is the introduction of HDTV which offers superior image quality compared with standard resolution and up to five times higher resolution than analog cameras which probably contributes to accelerating the shift to digital solutions. With the introduction of the "out-of-the-box-outdoor-ready" concept, Axis began supplying products that are ready for outdoor assembly and which reduced the installation costs significantly. All Axis' products ending in "E" are outdoor-ready. The AXIS Q6032-E model can be mentioned as an example, which is IP66 classified and furthermore, through "Arctic temperature control" offers a guaranteed temperature range down to minus 40 degrees centigrade.

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, school districts and within the transport sector. Sales within the mature product area, Print, stagnated further during the year. The fall is largely due to the maturity of the market for print servers which impacted Axis' own brand sales and OEM sales negatively.

The close collaboration with partners, distributors, resellers and application developers continued during 2010. 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 35,000 system integrators and 800 application developers had participated in the various programs.

### Environmental matters

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. During 2010, Axis completed a life cycle analysis on one of the company's network video products. The life cycle analysis showed that a considerable part of the environmental impact during the life-cycle of the products is related to their energy consumption during use by the end customers. Thus, great importance is attached in the development process to products with good energy performance. Axis produced a Carbon Footprint Report during 2010 in order to describe the environmental impact of its operations from carbon dioxide emissions. The result of this report will be presented during the first half of 2011.

### Research and development

During 2010, 13.7 percent (16.1) of the group's sales were invested in research and development within both hardware and software. The research and development expenses have increased by SEK 50 M compared with the preceding year and amounted to SEK 382 M (332). Expenditure on development work totaling SEK 20 M (38) 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 2010.

Axis conducts an active patent strategy in order to safeguard investments in core technology and intellectual capital. During the year, applications for ten new patent families were filed, chiefly within image processing and network technology. Twenty four national patents and a number of registered designs were granted during 2010.



Axis currently holds 81 active patent and registered design families. Axis strengthened its patent portfolio with an additional number of patents within network communication through an acquisition of patents from Hoya/Pentax in early 2011.

The exposure to intellectual property risk in the patents area is managed by Axis' specialists, in collaboration with external lawyers and advisors. To date, a few disputes concerning patent infringement have been discussed, but these have not had any material consequences for Axis.

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

### Personnel

The recruitment rate was considerably higher than 2009. At the end of the year, the number of employees totaled 914, which is a net increase of 140 people since December 31, 2009. Most of the increase took place in sales and marketing as well as research and development. Of the employees, 602 (502) work in Sweden and 312 (272) in other countries.

### Financing and cash flow

Axis had a total of SEK 566 M at its disposal on December 31, 2010, of which cash and cash equivalents amounted to SEK 366 M and unutilized credit facilities totaled SEK 200 M. Consequently, Axis is in a very strong financial position approaching 2011. The cash flow from operating activities amounted to SEK 391 M (224). The strong cash flow was mainly due to the favorable operating profit. Net working capital improved by SEK 23 M. Net investments for the year totaled SEK 52 M (62) and total cash flow amounted to SEK 64 M (88).

### Investments

Investments in property, plant and equipment amounted to SEK 32 M (24), and in intangible assets to SEK 20 M (38). Net investments for the year according to the consolidated statement of cash flows amounted to SEK 52 M (62).

### Change in control clause

Agreements that the company is party to and which take effect or change or cease to be valid if the control over the company changes as a consequence of a public takeover bid or agreements of such a nature that a disclosure would be likely to harm the company, do not exist.

### Results and position

Sales during the year totaled SEK 2,933 M (2,301) which represents growth of 27 percent compared with the preceding year. Currency effects had a negative impact on sales of SEK 209 M. The Video product area increased sales by 29 percent from SEK 2,245 M to SEK 2,890 M while sales in the Print product area fell by 26 percent to SEK 29 M. The gross margin fell slightly during the year due to increased competition on the market as well as negative currency effects and

amounted to 50.7 percent compared with 53.7 percent in 2009.

The group's operating profit amounted to SEK 415 M (308), which is an increase of SEK 107 M compared with the preceding year. The operating margin strengthened from 13.4 percent in 2009 to 14.1 percent in 2010. Currency effects impacted the operating profit negatively by SEK 79 M. Profit before tax amounted to SEK 413 M (307), which implies an increase of SEK 106 M compared with the preceding year.

### Condensed income statement

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Total 2010
Net sales, SEK M	642.6	678.3	736.8	875.3	2,933.0
Gross profit, SEK M	333.8	339.1	371.0	442.3	1,486.3
Gross margin, %	52.0	50.0	50.4	50.5	50.7
Operating profit, SEK M	95.2	73.9	120.5	125.3	415.0
Operating margin, %	14.8	10.9	16.4	14.3	14.1
Profit before tax, SEK M	94.9	73.4	119.8	124.7	412.8
Profit margin, %	14.8	10.8	16.3	14.2	14.1

### Group key ratios

	2010	2009	2008	2007	2006
Net sales, SEK M	2,933.0	2,300.7	1,974.8	1,671.3	1,202.5
Profit before tax, SEK M	412.8	306.7	339.8	367.4	222.4
Balance sheet total, SEK M	1,278.9	1,118.3	859.3	914.4	789.3
Equity/assets ratio, %	49.0	54.2	51.3	60.4	63.5
Return on total assets, %	34.6	31.2	38.4	43.2	32.6
Return on equity, %	49.3	43.2	49.3	50.3	35.3
Earnings per share before dilution, SEK	4.32	3.10	3.64	3.73	2.28
Earnings per share after dilution, SEK	4.32	3.10	3.63	3.73	2.27
Shares before dilution, thousands (average)	69,406	69,374	69,374	69,315	69,084
Shares after dilution, thousands (average)	69,406	69,423	69,452	69,426	69,220
Number of employees at year-end	914	774	716	564	446

Definitions are presented in note 29.

### Corporate governance report

Corporate governance defines the decision systems by which the owners, directly or indirectly, manage the company. In a stock corporation such as Axis, governance, management and control are distributed among the shareholders, the board of directors, the President and company management in accordance with prevailing laws, regulations and instructions.

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 NASDAQ OMX Nordic. The company follows the provisions of the Swedish Companies Act as well as the stock exchange regulations for listed companies in Sweden. The company has not committed any breaches of the rules and regulations at NASDAQ OMX Nordic or of best practice in the labor market.

Axis applies the Swedish Code of Corporate Governance (hereafter the "Code") which may be downloaded from [www.bolagsstyrning.se](http://www.bolagsstyrning.se) and follows it with the exception of what is expressly stated below. The corporate governance report describes how corporate governance has been conducted in Axis during the fiscal year 2010.

#### Deviations from the Code

Axis deviates from the Code in the following cases.

The company deviates from the Code's "soft" requirements in relation to items 1.5 (simultaneous interpretation to another language) and 1.7 (minutes in another language than Swedish) since the company considers that these requirements are not motivated bearing in mind the composition of the shareholder base. The company deviates in relation to item 2.1 (the nominating committee shall submit proposals regarding appointment and remuneration of auditors) with the explanation that the board submits proposals to the nominating committee for consideration and presentation at the annual general meeting. The board makes such proposals as the board considers that it is suitably qualified for this by virtue of its composition and expertise. The company has not established a special audit committee but the duties that would be assigned to an audit committee are performed by the entire board within the framework of the ordinary board work.

#### Share capital, voting rights and ownership

Axis had 17,459 shareholders at the close of 2010 according to the share register maintained by Euroclear Sweden AB (formerly VPC AB). The company's principal owner is LMK Industri AB (14.4 percent of the share capital). Foreign investors' equity interest was 30.1 percent. The five largest owners had total holdings corresponding to 50.0 percent of the share capital. For additional ownership information see page 34 in the annual report. The company's share capital amounted to SEK 694,612 at year-end distributed among 69,461,250 shares of a par value of SEK 0.01. All shares are of the same class, carry one vote and equal right to share in the company's assets and earnings.

	Number of shares	Share of equity and votes
T Karlsson, privately and via company (LMK Industri AB)	10,000,000	14.4 %
C Brandberg, privately and via company (Inter Indu S.ä.r.l.)	9,516,667	13.7 %
M Gren, via company (Grenspecialisten AB)	7,157,471	10.3 %
Robur	4,702,360	6.8 %
Didner & Gerge Mutual fund	3,367,800	4.8 %
Other	34,744,298	50.0 %
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. According to the company's articles of association, Axis' nominating committee shall propose new board members, who are appointed by the annual general meeting. In addition, 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. Amendment of the company's articles of association may only take place by resolution of the general meeting.

#### 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 financial statements 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 in the Swedish Companies Act and in 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 third quarter report in the preceding year. Information regarding the shareholders' right to have matters addressed at the annual meeting will also be published in the third quarter report of the year before the meeting. 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, 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 21, 2010

The annual general meeting which was held in Lund on April 21, 2010 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, and Göran Jansson,
- > to elect Roland Vejdemo as a board member,
- > 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 2010

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, the year before the annual general meeting. These shall each appoint a representative to the nominating committee by September 30, the year before the annual general meeting or at the latest six months prior to the annual general meeting. Axis' nominating committee is composed of representatives from the three largest shareholders; Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu (Luxembourg) S.à.r.l.) and Martin Gren (Grenspecialisten AB). Christer Brandberg is chairman and convener.

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 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 duties 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](http://www.axis.com). 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.

#### The composition of the Board of Directors

All nominated board members were present at the annual general meeting on April 21, 2010. The board members Charlotta Falvin, Martin Gren, Olle Isberg, Göran Jansson and Lars-Erik Nilsson were re-elected. Roland Vejdemo was elected as a board member. Lars-Erik Nilsson was re-elected as chairman of the board. Martin Gren is employed by the subsidiary Axis Communications AB and is one of the three largest shareholders in the company. Olle Isberg is employed by 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 according to the Code's provisions and NASDAQ OMX Nordic's listing requirements. Information regarding the remuneration to the board members resolved upon by the annual general meeting may be found in note 19, Personnel.

#### 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. The 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 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 performance of the operations, 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 2010

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 operations. The board has closely followed the group's financial performance during the year through monthly reports and submissions by the group's CFO at all board meetings, among other ways.

Furthermore, the board has dealt with questions such as;

- > the growth strategy for the Video product area,
- > development activities, and
- > establishment of subsidiaries/sales structure.

The board conducts an annual evaluation of its work through the agency of the chairman. 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 2010, the board held nine meetings including the statutory meeting. See table below for meeting attendance.

Board member	Meeting	1	2	3	4	5	6	7	8	9
Lars-Erik Nilsson (chair)		x	x	x	x	x	x	x	x	x
Charlotta Falvin		x	x	x	x	x	x	x	x	x
Martin Gren		x	x	x	x	x	x	x	x	x
Olle Isberg		x	x	x	x	x	x	x	x	x
Göran Jansson		x	x	x	x	x	x	x	x	x
Roland Vejdemo					x	x	x	x	x	x

A presentation of the board may be found on page 69 in the annual report.

#### *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 personnel. 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 2010 was composed of Lars-Erik Nilsson (chairman and convener) and Olle Isberg. During the year, the committee held one meeting. Information regarding remuneration and other terms of employment for the company management may be found in note 19, Personnel.

#### *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 President and Group Management**

Axis' group management consists of eight members, and is led by the President and CEO, Ray Mauritsson (born 1962). Ray Mauritsson holds a Master of Science, Engineering physics from Lund University, and an Executive MBA from the Institute of Economics, at Lund University. He joined Axis in 1995, and took over as President and CEO in 2003. Prior to this, Ray Mauritsson held leading positions at TAC (now Schneider Electric). Ray Mauritsson is a director of HMS Industrial Networks. For information regarding the group management's shareholdings, see page 70 in the 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 eleven formal meetings and a large number of informal meetings during the year.

#### **Audit**

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

According to item 2.1 of the Code, proposals for appointment and remuneration of auditors should be submitted by the company's nomi-

nating committee. Axis' board has, however, in deviation from the above-mentioned provision in the Code, decided that the board shall submit such proposals to the nominating committee for consideration and presentation at the annual general meeting. The proposal shall be prepared by a group specially appointed by the board, comprising representatives from the board and Axis' management. The reason for the deviation is that the above-mentioned group has particular experience of questions relating to appointment and remuneration of auditors. This competence is considered to be of benefit to Axis.

#### **Internal control report**

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 of 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 control have been designed with the intention of managing and limiting the risks of material errors in the reporting of financial data, and, consequently, ensure that operational and strategic decisions are based on accurate financial information.

Axis' process for the internal control of the financial reporting is structured in accordance with the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), with the control environment as a base for other components and activities; risk assessment, control activities, information and communication as well as follow up.

#### *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. 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.

## B. Corporate culture

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

## C. 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 in place. The purpose of the Code is to set out the approach, values and guidelines that Axis' personnel shall apply in matters of business ethics and also the approach to human freedom and human rights. The objective of Axis' environmental policy is to ensure that the company supplies products and solutions in an efficient and environmentally low-impact way, and that legal obligations and environmental regulations are complied with.

### *Risk assessment*

The risk assessment involves identifying, measuring and recording the sources of risk. The material risks which affect the internal control with respect to the financial reporting are identified at a board, 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 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. 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.

### *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.

### *Financial reporting and follow up*

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. A monthly income statement is prepared for each dimension, and these are followed up with the responsible managers and controllers. At present, the geographical dimension consists of three regions and nine sub-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 171. 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 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 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.

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

The board proposes the following principles for determining salaries and other remuneration to the President and other members of the company management. For information regarding terms of remuneration for 2010, please refer to note 19, Personnel.

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

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

Bonus to the President and other senior executives is based on the financial goals of the group and is calculated as a function of the sales growth and the operating margin for the year in question. The bonus to the President is maximized at 240 percent of the annual salary (for 2011) and for the other senior executives the highest individual bonus amount is a maximum of 80 percent of the annual salary (for 2011).

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

In the event of termination of employment, a six-month mutual notice period applies for the President. In the event of termination of

employment of the President by the Company, termination benefits corresponding to twelve cash monthly salaries are payable after the expiry of the notice period. Other income is not deducted from the termination benefits. 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. Deviations from the principles specified above may be decided by the board of directors, if there are specific reasons in individual cases.

### **Significant risks and uncertainties**

Axis is an international group, and is thereby exposed to a number of different risks in its everyday operations. The risks can be principally divided into external risk, business 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. The board has been involved in all parts of the risk assessment during the year. The external risk is mainly handled at a group management and board level, whereas business risks are usually handled at a group management and regional management level. The function-specific risks in the company-wide functions, Finance, IT/systems, HR and Operations are handled and coordinated within each division. Management and coordination of financial and insurable risks is mainly carried out by the group's finance department. Risks in the legal area are handled by Axis' specialists in consultation 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. The world economy has gradually recovered during 2010 which positively impacted many companies' investment capabilities. However, macroeconomic problems remain in many countries which may result in financing problems for Axis' customers with postponed sales as a consequence. Axis works on the basis of detailed monthly sales forecasts and carefully monitors global trends in order to take the necessary measures when conditions change. Terrorism and political turmoil in many countries, particularly in Asia and the Middle East, can naturally have a negative impact on Axis' global expansion. Another, partly political question, is social acceptance of camera surveillance as well as the privacy issues 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 technological solutions. Axis is market-leading in the global network video market and is a company that is expanding strongly. The expansion plans are based on strategic assumptions and forecasts about the market trend. In the event that the technology shift proceeds at a slower pace than expected, it may give competitors the opportunity to strengthen their market positions. Axis' strategy is to maintain the pace of the technology shift by continually training customers and system integrators in the benefits of network video and thereby increase 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 internally developed network and image compression chip, ARTPEC. ARTPEC is optimized and adapted for products and applications within network video, which currently gives Axis a distinct advantage compared with other players on the market. The quality is ensured through a well-defined quality and testing process as well as through skilled and careful suppliers. In order to minimize risks in the supply chain, from supply of components to delivery, Axis works with a number of subcontractors that are equally important from a competence and capacity perspective. Demand for electronic components on the world market increased again at the end of 2009 and during 2010 at a faster pace than the rebuilding of delivery capacity, which has led to and may lead to general component shortages during the first half-year 2011.

The growing network video market is attracting more and more players which is leading to increased competition. Several of the companies (including Sony, Pelco, Panasonic and Bosch) that were previously active within analog camera surveillance, are now gradually converting their product offerings to network technology. Axis' market shares and market leadership can be maintained through careful competitive intelligence, a capable global sales force as well as vigorous and rapid product development.

Under the prevailing macroeconomic conditions, the risk exposure in relation to the group's customers is considered to have fallen slightly. The group finance function continually monitors days sales outstanding and payment behavior etc. in all regions. Credit risks from operating flows are handled at a regional level. The group's credit policy establishes the framework for how credit risks and credit exposure should be handled.

### Financial risk

The group's international operations involve a number of financial risks which are handled according to the policies adopted annually

by the board. The overriding goal of the group's finance function is to provide financing to group companies on an ongoing basis so that the effects on the group's results are minimized. The group is primarily exposed to financing, foreign exchange and credit risk. Interest risk is assessed as being limited. For further information refer to note 3 to the financial statements.

### Outlook

There was a progressive and stable macroeconomic recovery on the majority of Axis' main markets during 2010. At present, it is our assessment that there is a good basis for a continued positive trend within network video in 2011. Axis and external market research institutions estimate the annual growth potential of the network video market to be 25–30 percent in the next few years.

The shift from analog video solutions to network systems continues to imply a long-term growth potential. During 2011, Axis will continue to develop and release a large number of innovative products, advance and broaden the extensive partner network which has been built up in previous years, and will continue to recruit personnel and expand globally.

Axis' overall goal of strengthening its position as the market-leading supplier of network video solutions remains unchanged.

### The Parent Company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. Sales to group companies are insignificant. Purchasing from group companies has not taken place. The parent company's profit after financial items totaled SEK 368 M (355).

### Proposed appropriation of profits in the Parent Company

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

Profit brought forward and other non-restricted reserves	SEK 117,612,425
Net profit for the year	SEK 201,379,700
<b>TOTAL</b>	<b>SEK 318,992,125</b>

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

that a dividend of SEK 4.50 per share shall be paid to shareholders	SEK 312,575,625
carried forward	SEK 6,416,500
<b>TOTAL</b>	<b>SEK 318,992,125</b>

The board anticipates a continued positive trend during the 2011 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	2010	2009	2008
Net sales	4	2,933.0	2,300.7	1,974.8
Cost of goods and services sold		-1,446.7	-1,064.5	-887.7
<b>Gross profit</b>		<b>1,486.3</b>	<b>1,236.2</b>	<b>1,087.1</b>
Other income and changes in value	8	-22.3	-49.2	8.8
Selling and marketing expenses		-553.6	-455.5	-403.8
Administrative expenses		-113.3	-91.3	-82.9
Research and development expenses		-382.1	-332.1	-268.6
<b>Operating profit</b>	6, 7, 8	<b>415.0</b>	<b>308.1</b>	<b>340.6</b>
Financial expenses		-2.2	-1.4	-0.8
<b>Profit before tax</b>		<b>412.8</b>	<b>306.7</b>	<b>339.8</b>
Tax	9	-113.0	-88.9	-87.4
<b>NET PROFIT FOR THE YEAR</b>		<b>299.8</b>	<b>217.8</b>	<b>252.4</b>
Other comprehensive income				
Cash flow hedges	17	0.9	37.7	-36.0
Net investment hedge	17	0.2	5.1	-18.4
Exchange differences	17	-8.8	-6.6	3.9
<b>Other comprehensive income for the year, net after tax</b>		<b>-7.7</b>	<b>36.2</b>	<b>-50.5</b>
<b>Total comprehensive income for the year</b>		<b>292.1</b>	<b>254.0</b>	<b>201.9</b>
<b>Net profit for the year attributable to:</b>				
The parent company's shareholders		299.8	217.8	252.4
<b>Total comprehensive income attributable to:</b>				
The parent company's shareholders		292.1	254.0	201.9
Earnings per share before dilution, SEK	10	4.32	3.14	3.64
Earnings per share after dilution, SEK		4.32	3.14	3.63
Number of shares before dilution, average, thousands		69,406	69,374	69,374
Number of shares after dilution, average, thousands		69,406	69,423	69,452
Proposed dividend, SEK		4.50	4.00	1.25

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



## The parent company's income statement

	Note	2010	2009	2008
Net sales		8.1	10.9	23.6
<b>Gross profit</b>		<b>8.1</b>	<b>10.9</b>	<b>23.6</b>
Administrative expenses		-11.6	-14.3	-26.3
<b>Operating profit</b>		<b>-3.5</b>	<b>-3.4</b>	<b>-2.7</b>
<i>Profit from financial investments</i>				
Profit from participations in group companies	23	327.2	306.4	351.4
Interest income and similar profit/loss items	24	66.9	132.7	30.3
Interest expenses and similar profit/loss items	25	-22.3	-80.3	-133.1
<b>Profit after financial items</b>		<b>368.2</b>	<b>355.4</b>	<b>245.9</b>
Change in tax allocation reserve		-92.8	-76.2	-78.5
Tax	9	-74.0	-76.6	-50.4
<b>NET PROFIT FOR THE YEAR</b>		<b>201.4</b>	<b>202.6</b>	<b>116.9</b>

## Parent company statement of comprehensive income

	Note	2010	2009	2008
Net profit for the year		201.4	202.6	116.9
<b>Other comprehensive income</b>				
Other comprehensive income for the year, net after tax		201.4	202.6	116.9
<b>Total comprehensive income for the year</b>		<b>201.4</b>	<b>202.6</b>	<b>116.9</b>
<b>Total comprehensive income attributable to:</b>				
The parent company's shareholders		201.4	202.6	116.9

## Consolidated balance sheet

ASSETS	Note	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
<b>Non-current assets</b>				
Property, plant and equipment	5	51.7	42.9	38.9
Intangible assets	5	82.6	79.7	61.4
Other financial assets	14	7.1	8.3	5.6
<b>Total non-current assets</b>		<b>141.4</b>	<b>130.9</b>	<b>105.8</b>
<b>Current assets</b>				
Inventories	12	294.2	224.0	248.7
Trade receivables and other receivables	13	477.0	459.2	274.6
Derivative instruments	22	-	2.4	2.2
Current tax receivables		-	-	14.6
Cash and cash equivalents	15	366.3	301.8	213.4
<b>Total current assets</b>		<b>1 137.5</b>	<b>987.4</b>	<b>753.4</b>
<b>TOTAL ASSETS</b>		<b>1 278.9</b>	<b>1 118.3</b>	<b>859.3</b>

## The parent company's balance sheet

ASSETS	Note	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
<b>Non-current assets</b>				
<i>Financial assets</i>				
Participations in subsidiaries	26	0.7	0.7	0.7
Deferred tax receivables	11	-	0.8	17.3
Other financial assets		1.6	1.6	1.6
<b>Total financial assets</b>		<b>2.3</b>	<b>3.1</b>	<b>19.6</b>
<b>Total non-current assets</b>		<b>2.3</b>	<b>3.1</b>	<b>19.6</b>
<b>Current assets</b>				
<i>Receivables</i>				
Receivables from group companies		525.6	529.5	364.6
Tax receivables		-	-	14.7
Prepaid expenses and accrued income		0.8	0.6	0.4
<b>Total receivables</b>		<b>526.4</b>	<b>530.1</b>	<b>379.7</b>
<i>Cash and bank balances</i>				
Cash and bank balances	15	174.9	146.9	132.5
<b>Total cash and bank balances</b>		<b>174.9</b>	<b>146.9</b>	<b>132.5</b>
<b>Total current assets</b>		<b>701.3</b>	<b>677.0</b>	<b>512.2</b>
<b>TOTAL ASSETS</b>		<b>703.6</b>	<b>680.1</b>	<b>531.8</b>

## Consolidated balance sheet

EQUITY AND LIABILITIES	Note	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
<b>Equity</b>				
<i>Capital and reserves</i>				
Share capital	16	0.7	0.7	0.7
Share premium		279.2	275.0	275.0
Other reserves	17	-8.3	-0.6	-36.8
Retained earnings		355.6	333.3	202.2
<b>Total equity</b>		<b>627.2</b>	<b>608.4</b>	<b>441.1</b>
<b>Liabilities</b>				
<i>Non-current liabilities</i>				
Borrowing	18	1.0	0.1	0.3
Retirement benefit obligations	19	1.0	0.6	0.4
Deferred tax liabilities	11	74.3	49.6	23.0
Other provisions	20	16.6	11.4	7.0
<b>Total non-current liabilities</b>		<b>92.9</b>	<b>61.7</b>	<b>30.8</b>
<i>Current liabilities</i>				
Trade payables and other liabilities	21	537.1	425.4	318.7
Current tax liabilities		21.7	17.4	0.8
Derivative instruments	22	-	5.4	67.9
<b>Total current liabilities</b>		<b>558.8</b>	<b>448.2</b>	<b>387.4</b>
<b>Total liabilities</b>		<b>651.7</b>	<b>509.9</b>	<b>418.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,278.9</b>	<b>1,118.3</b>	<b>859.3</b>
<b>MEMORANDUM ITEMS</b>				
<i>Pledged assets</i>	27	6.0	NONE	NONE
<i>Contingent liabilities</i>	27	NONE	NONE	NONE

## The parent company's balance sheet

EQUITY AND LIABILITIES	Note	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
<b>Equity</b>				
<i>Restricted equity</i>				
Share capital		0.7	0.7	0.7
<b>Total restricted equity</b>		<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
<i>Non-restricted equity</i>				
Profit brought forward		117.6	188.4	158.1
Net profit for the year		201.4	202.6	116.9
<b>Total non-restricted equity</b>		<b>319.0</b>	<b>391.0</b>	<b>275.0</b>
<b>Total equity</b>		<b>319.7</b>	<b>391.7</b>	<b>275.7</b>
<b>Untaxed reserves</b>				
Tax allocation reserve		356.4	263.6	187.4
<b>Total untaxed reserves</b>		<b>356.4</b>	<b>263.6</b>	<b>187.4</b>
<b>Liabilities</b>				
<i>Current liabilities</i>				
Liabilities to group companies		1.0	1.1	0.8
Tax liabilities		24.9	18.7	-
Other liabilities		-	0.2	1.0
Accrued expenses and deferred income	22	1.6	4.8	66.9
<b>Total current liabilities</b>		<b>27.6</b>	<b>24.8</b>	<b>68.7</b>
<b>Total liabilities</b>		<b>27.6</b>	<b>24.8</b>	<b>68.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>703.6</b>	<b>680.1</b>	<b>531.8</b>
<b>MEMORANDUM ITEMS</b>				
<i>Pledged assets</i>	27	NONE	NONE	NONE
<i>Contingent liabilities</i>	27	NONE	0.2	6.7

## 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, 2008	0.7	275.0	13.7	262.0	551.4
<b>Comprehensive income</b>					
Net profit for the year	-	-	-	252.4	252.4
<b>Other comprehensive income</b>					
Cash flow hedges, after tax	-	-	-36.0	-	-36.0
Net investment hedge, after tax	-	-	-18.4	-	-18.4
Exchange differences	-	-	3.9	-	3.9
Total other comprehensive income	-	-	-50.5	-	-50.5
<b>Total comprehensive income</b>	-	-	-50.5	252.4	201.9
<b>Transactions with owners</b>					
New issue on exercise of options	0.0	0.0	-	-	0.0
Dividend in respect of 2007	-	-	-	-312.2	-312.2
<b>Total transactions with owners</b>	0.0	0.0	-	-312.2	-312.2
Closing balance as at December 31, 2008	0.7	275.0	-36.8	202.2	441.1
Opening balance as at January 1, 2009	0.7	275.0	-36.8	202.2	441.1
<b>Comprehensive income</b>					
Net profit for the year	-	-	-	217.8	217.8
<b>Other comprehensive income</b>					
Cash flow hedges, after tax	-	-	37.7	-	37.7
Net investment hedge, after tax	-	-	5.1	-	5.1
Exchange differences	-	-	-6.6	-	-6.6
Total other comprehensive income	-	-	36.2	-	36.2
<b>Total comprehensive income</b>	-	-	36.2	217.8	254.0
<b>Transactions with owners</b>					
New issue on exercise of options	0.0	0.0	-	-	0.0
Dividend in respect of 2008	-	-	-	-86.7	-86.7
<b>Total transactions with owners</b>	0.0	0.0	-	-86.7	-86.7
Closing balance as at December 31, 2009	0.7	275.0	-0.6	333.3	608.4
Opening balance as at January 1, 2010	0.7	275.0	-0.6	333.3	608.4
<b>Comprehensive income</b>					
Net profit for the year	-	-	-	299.8	299.8
<b>Other comprehensive income</b>					
Cash flow hedges, after tax (note 9)	-	-	0.9	-	0.9
Net investment hedge, after tax (note 9)	-	-	0.2	-	0.2
Exchange differences	-	-	-8.8	-	-8.8
Total other comprehensive income	0.0	0.0	-7.7	0.0	-7.7
<b>Total comprehensive income</b>	0.0	0.0	-7.7	299.8	292.1
<b>Transactions with owners</b>					
New issue on exercise of options	0.0	4.2	-	-	4.2
Dividend in respect of 2009	-	-	-	-277.5	-277.5
<b>Total transactions with owners</b>	0.0	4.2	-	-277.5	-273.3
Closing balance as at December 31, 2010	0.7	279.2	-8.3	355.6	627.2

## The parent company's change in equity

	Share capital	Share premium	Profit brought forward	Net profit for the year	Total equity
Equity at December 31, 2007	0.7	8.7	290.9	170.7	471.0
Reversal of net profit for the year	-	-	170.7	-170.7	-
New issue on exercise of options	0.0	-	-	-	0.0
Dividend	-	-8.7	-303.5	-	-312.2
Net profit for the year	-	-	-	116.9	116.9
Equity at December 31, 2008	0.7	0.0	158.1	116.9	275.7
Reversal of net profit for the year	-	-	116.9	-116.9	-
New issue on exercise of options	0.0	-	-	-	0.0
Dividend	-	-	-86.6	-	-86.6
Net profit for the year	-	-	-	202.6	202.6
Equity at December 31, 2009	0.7	-	188.4	202.6	391.7
Reversal of net profit for the year	-	-	202.6	-202.6	-
New issue on exercise of options	0.0	4.1	-	-	4.1
Dividend	-	-	-277.5	-	-277.5
Net profit for the year	-	-	-	201.4	201.4
Equity at December 31, 2010	0.7	4.1	113.5	201.4	319.7

Number of shares as at December 31, 2010 totaled 69,461,250. The par value was SEK 0.01 per share.

At the annual general meeting on April 14, 2011, a dividend of SEK 4.50 per share in respect of 2010 will be proposed. During 2010, SEK 4.00 kronor per share was paid in respect of the fiscal year 2009.

## Consolidated statement of cash flows

	Note	2010	2009	2008
<i>Operating activities</i>				
Cash generated from operations	28	478.9	272.3	359.2
Financial expenses paid		-2.2	-1.4	-0.8
Taxes paid		-85.3	-46.9	-127.0
<b>Cash flows from operating activities</b>		<b>391.4</b>	<b>224.0</b>	<b>231.4</b>
<i>Investing activities</i>				
Acquisition of plant, property and equipment	5	-33.2	-23.4	-27.1
Acquisition of intangible assets	5	-19.6	-37.7	-25.9
Acquisition of subsidiaries and operations		-	-1.9	-
Investments in other financial assets		1.1	0.8	-2.3
<b>Cash flows from investing activities</b>		<b>-51.7</b>	<b>-62.2</b>	<b>-55.3</b>
<i>Financing activities</i>				
New issue		4.2	0.0	0.1
Dividend paid		-277.5	-86.7	-312.2
Amortization of loans		1.0	-0.3	-5.7
Net effect of derivative instruments		-2.9	13.6	-29.0
<b>Cash flows from financing activities</b>		<b>-275.2</b>	<b>-73.4</b>	<b>-346.8</b>
Cash flow for the year		64.5	88.4	-170.7
Cash and cash equivalents at beginning of year		301.8	213.4	384.1
Change in cash and cash equivalents		64.5	88.4	-170.7
<b>Cash and cash equivalents at end of year</b>	15	<b>366.3</b>	<b>301.8</b>	<b>213.4</b>

## The parent company's cash flow statement

	Note	2010	2009	2008
<i>Operating activities</i>				
Cash generated by operations	28	-6.4	-276.0	34.6
Financial expenses paid		-22.4	-80.3	-133.1
Financial income received		66.9	132.7	30.3
Taxes paid		-67.8	-26.7	-101.8
<b>Cash flow from operating activities</b>		<b>-29.7</b>	<b>-250.3</b>	<b>-170.0</b>
<i>Financing activities</i>				
New issue		4.2	0.0	0.0
Dividend paid		-277.5	-86.7	-312.2
Group contribution received	23	327.3	314.6	356.8
Shareholders' contribution paid	23	-0.1	-8.2	-5.4
Adjustment for group contribution not affecting cash flow		3.8	45.0	-33.4
<b>Cash flow from financing activities</b>		<b>57.7</b>	<b>264.7</b>	<b>5.8</b>
Cash flow for the year		28.0	14.4	-164.2
Cash and cash equivalents at beginning of year		146.9	132.5	296.7
Change in cash and cash equivalents		28.0	14.4	-164.2
<b>Cash and cash equivalents at end of year</b>		<b>174.9</b>	<b>146.9</b>	<b>132.5</b>

## Notes

### Note 1 General information

Axis is an IT company offering network video solutions for professional installations. The company is the global market leader in network video and the driver of the 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 solutions. Axis is a Swedish company, which acts globally via its own offices in more than 24 countries and through collaboration with partners in more than 70 countries. The company was founded in 1984 and is listed on NASDAQ OMX Nordic, under the ticker AXIS.

These financial statements were approved by the board of directors on February 2, 2011.

### 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 standard 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 2010 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 or amended standards or interpretations of existing standards that shall be early adopted.

#### 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 to account for the acquisitions of subsidiaries by Axis. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued by the acquirer and incurred or assumed liabilities at the date

of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions and balance sheet items, as well as unrealized gains on transactions between group companies, are eliminated. Unrealized losses are also eliminated, unless the transaction constitutes evidence that an impairment need exists in relation to the assumed assets. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

The Axis Group applies IFRS 8. 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 segment's results. In the group, this function has been identified as the group management.

#### 2.4 Foreign currency translation

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

Subsidiaries' assets and liabilities are translated at the closing rate on the respective end of reporting period. Items in the income statement are translated at the exchange rate on the transaction date approximated to the average exchange rates. Translation differences are recognized directly against equity.

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 taken to shareholders' equity. In the event that a foreign operation is sold or disposed of, any such exchange rate differences are recognized in the income statement as part of the capital gain or loss on sale.

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 items. Cost may also include transfers from equity of gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. In the event that the recognizable value of an asset exceeds its estimated recoverable amount, the asset is immediately written down to its recoverable amount.

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

Plant and equipment 3–10 years

## 2.8 Intangible assets

Axis' technology is based on the internally-developed ASIC (Application Specific Integrated Circuit) platforms, which are at the heart of Axis' products. Expenses closely associated with development of technology which is controlled by Axis, and which are likely to generate economic benefits in excess of expenses for more than three years, are recognized as intangible assets. Expenses which are closely associated with the production of software include personnel expenses for software development and a reasonable percentage of the attributable indirect expenses. Capitalized intangible assets are not subject to measurement at fair value. 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.

The development of new platforms is capitalized continuously over the development period, and is amortized on the basis of the 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.

Amortization is calculated on the original cost and is based on the estimated useful lives of the assets as follows:

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

Amortization starts when the asset is ready for use.

## 2.9 Impairment

Assets which have undetermined useful lives are not depreciated but are subject to an annual impairment test. Assets which are impaired are assessed in respect of the reduction in value whenever events or changes in circumstances indicate that the carrying amount 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 impairment needs before it is finally taken into use.

## 2.10 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, deposits held at call with banks, other short-term highly liquid 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, financial instruments which are to be held to maturity and financial assets which are available for sale. The classification is dependent on the purpose for which the instrument was acquired. Management determines the classification of instruments at the first accounting date, and reviews this decision at every reporting date. All financial instruments are recognized from the transaction date.

For accounting of derivatives refer to note 3.2.

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

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

### b) Loan receivables and trade receivables, which are measured at fair value

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

In determining fair value, where appropriate, information in respect of recent arms-length transactions, other instruments which are broadly similar and the discounted cash flow analysis are used.

At 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.

## 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 recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities.

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

Untaxed reserves are recognized in the parent company. We have apportioned 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 such 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.

Contracts which matured during the year in respect of hedging of net investment have been presented under financing activities instead of operating activities since 2009. Comparative figures for 2008 have been restated.

## 2.15 Leasing

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

## 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. Sales are recognized after the deduction of VAT, similar taxes and discounts, as well as after the elimination of 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 are recognized as an expense as they arise

## 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 2010, 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

### Warranties

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, pricing risk and interest risk), b) credit risk and c) liquidity risk). The group's overall risk management policy focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

#### a) Market risk

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

From January 1, 2010 the financial policy does not prescribe any hedging requirement. No hedging was conducted during the fiscal year 2010. Hedging transactions entered into during previous fiscal years were treated as hedges until they all matured during 2010.

For the comparative years 2009 and 2008, Transaction risk, under the finance policy, should be minimized through currency hedging of the next twelve months' expected net cash flow. Currency hedging for the next two months should take place within the range 80–100 percent of the exposure, and within the range 30–50 percent for the next 3–12 months. The finance policy states that a five-percent movement in the exchange rate in relation to the Swedish Krona should not affect results by more than SEK 1 M. Historical exchange rate flows are followed up monthly in arrears.

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

The value of forward contracts, currency swaps and currency options is calculated with the assistance of current spot and forward rates at the end of the reporting period. A summary is presented below of cash flow hedges and hedges of net investment as at Dec 31, 2009 and Dec 31, 2008.

Position Dec 31, 2009:

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

Position Dec 31, 2008:

Currency type	Net investment			Cash flow hedges		
	Exposure	Total derivative	Hedged portion	Exposure	Total derivative	Hedged portion
EUR	-	-	-	75.7	36.5	48 %
JPY	156.4	155.0	99 %	-	-	-
USD	7.3	7.2	99 %	76.4	24.4	32 %

Axis conducts a monthly effectiveness test to assess if the requirements for hedge accounting under IAS 39 are complied with. During 2010, all tests have shown that Axis lies within the allowed range.

Pricing 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 income. The finance policy states that the treasury department must minimize interest expense as much as possible. The average fixed-rate interest period for short-term financing must not exceed 6 months. Under the finance policy, the treasury department may deploy interest rate derivatives to ensure that interest rates are fixed on average for a maximum of 6 months. The interest risk for 2010 was marginal, since the credit facilities were utilized sporadically during the year.

Excess cash and cash equivalents are invested in fixed-interest securities with a maximum remaining term of one year, and an average term of no more than 6 months. As at December 31, 2010, SEK 110 M (40) was invested in fixed-interest securities with a maximum term of three months (three months). The interest risk in the excess cash and cash equivalents is handled so that the average interest rate on all investments must not exceed 6 months.

#### Sensitivity analysis

The table below indicates the effect of the most important factors on Axis' results for fiscal year 2010. 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	+/- 14
Currency, SEK/EUR	+/- 5	+/- 32
Procurement	+/- 5	+/- 53
Personnel	+/- 5	+/- 35

#### 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 for one of our customers in 2010. This insurance was not utilized during 2010.

For risk assessment of trade receivables see the age distributed accounts receivable ledger in note 13

#### c) Liquidity risk

The group's liquidity position is continuously analyzed in order to minimize liquidity risk. The finance policy states that the treasury department must ensure that the group always has credit facilities with at least one bank. Axis must have access at all times to 10 percent of sales in cash and cash equivalents or unutilized credit facilities. On December 31, 2010, Axis had SEK 366 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 200 M, compared with SEK 302 M and SEK 200 M respectively on December 31, 2009. The interest rate on unutilized credit facilities was determined on December 31, 2010 on the basis of the changes in STIBOR.

The unutilized credit facilities of SEK 200 M apply up to and including December 30, 2011, and extension takes place automatically by one year if notice of termination has not been given.

The credit facilities are contingent on special requirements of the banks. These requirements state that: a) the interest coverage ratio (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 2010, 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 for the purpose 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 for the hedged items. Should a hedging measure prove ineffective, recognition immediately takes place via the income statement (Other income and changes in value). Information on the fair value of different derivative instruments used for hedging purposes is provided in note 22. Changes in the hedging reserve in equity are shown in note 17.

#### a) Fair value hedge

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

#### b) Cash flow hedge

From fiscal year 2010, Axis has amended the finance policy to only hedge projects in excess of a countervalue of EUR 2 million and with a delivery date which is at least 2 months in the future from when the receipt of the order can be secured. No new cash flow hedges were entered into during 2010. 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 2010.

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 of the following fair value measurement hierarchy: a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1); b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

### 3.4 Capital risk management

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

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

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

## Note 4 Segment information

Business segments shall contain products which are subject to risks and returns which are different from other segments. This is not the case in the Axis Group. The group's common technology platform is the basis for all products. The development and sales organizations, as well as customer groups, are almost identical for all products. In light of this, the Axis Group recognizes only one primary segment which is the common technology platform. Accordingly, the segment information consists of the group as a whole.

Axis operates within different geographical areas where it supplies products within a special economic environment, which differs from the risks and returns applicable to units operating in other economic environments.

Net sales per geographical market	2010	2009	2008
EMEA (Europe, Africa, Middle East)	1,259.6	1,001.1	947.4
North Et South America	1,373.0	1,085.4	852.5
Asia	300.4	214.2	174.9
	2,933.0	2,300.7	1,974.8

	Assets			Investments		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	2010	2009	2008
EMEA (Europe, Africa, Middle East)	682.4	479.0	409.4	50.2	61.6	46.2
North Et South America	483.3	429.7	264.9	2.1	1.2	5.7
Asia	113.2	78.7	79.9	1.0	1.0	1.1
	1,278.9	987.4	754.2	53.3	63.8	53.0

	Non-current assets		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
EMEA (Europe, Africa, Middle East)	135.1	121.7	94.4
North Et South America	3.3	5.0	6.6
Asia	3.0	4.2	4.8
	141.4	130.9	105.8

The comparative figures for 2009 and 2008 concerning non-current assets have been adjusted for better comparability with the 2010 table.

## Note 5 Non-current assets

2008	Plant & equipment	Capitalized development	Rights/customer register	Total
<b>Accumulated acquisition value</b>				
Balance brought forward as at January 1, 2008	103.8	86.5	20.7	107.2
Investments	27.1	25.9	-	25.9
Sales/disposals	-4.1	-	-	-
Reclassifications	0.1	-	-	-
Translation differences	6.8	-	-	-
<b>Balance carried forward as at December 31, 2008</b>	<b>133.7</b>	<b>112.4</b>	<b>20.7</b>	<b>133.1</b>
<b>Accumulated depreciation</b>				
Balance brought forward as at January 1, 2008	-79.5	-27.9	-16.7	-44.6
Depreciation	-13.5	-24.3	-2.8	-27.1
Sales/disposals	3.7	-	-	-
Reclassifications	-0.1	-	-	-
Translation differences	-5.4	-	-	-
<b>Balance carried forward as at December 31, 2008</b>	<b>-94.8</b>	<b>-52.2</b>	<b>-19.5</b>	<b>-71.7</b>
<b>Net carrying amount</b>	<b>38.9</b>	<b>60.2</b>	<b>1.2</b>	<b>61.4</b>

2009	Plant & equipment	Capitalized development	Rights/customer register	Total
<b>Accumulated acquisition value</b>				
Balance brought forward as at January 1, 2009	133.7	112.4	20.7	133.1
Investments	23.5	37.7	-	37.7
Sales/disposals	-1.7	-	-	-
Translation differences	-2.1	-	-	-
<b>Balance carried forward as at December 31, 2009</b>	<b>153.4</b>	<b>150.1</b>	<b>20.7</b>	<b>170.8</b>
<b>Accumulated depreciation</b>				
Balance brought forward as at January 1, 2009	-94.8	-52.2	-19.5	-71.7
Depreciation	-19.4	-18.2	-1.2	-19.4
Sales/disposals	1.7	-	-	-
Translation differences	2.0	-	-	-
<b>Balance carried forward as at December 31, 2009</b>	<b>-110.5</b>	<b>-70.4</b>	<b>-20.7</b>	<b>-91.1</b>
<b>Net carrying amount</b>	<b>42.9</b>	<b>79.7</b>	<b>0.0</b>	<b>79.7</b>

2010	Plant & equipment	Capitalized development	Rights/customer register	Total
<b>Accumulated acquisition value</b>				
Balance brought forward as at January 1, 2010	153.4	150.1	20.7	170.8
Investments	33.2	19.6	-	19.6
Sales/disposals	-1.3	-	-	-
Translation differences	-1.5	-	-	-
<b>Balance carried forward as at December 31, 2010</b>	<b>183.8</b>	<b>169.7</b>	<b>20.7</b>	<b>190.4</b>
<b>Accumulated depreciation</b>				
Balance brought forward as at January 1, 2010	-110.5	-70.4	-20.7	-91.1
Depreciation	-24.4	-16.7	-	-16.7
Sales/disposals	1.4	-	-	-
Translation differences	1.4	-	-	-
<b>Balance carried forward as at December 31, 2010</b>	<b>-132.1</b>	<b>-87.1</b>	<b>-20.7</b>	<b>-107.8</b>
<b>Net carrying amount</b>	<b>51.7</b>	<b>82.6</b>	<b>0.0</b>	<b>82.6</b>

## Note 6 Costs allocated by type of cost

	2010	2009	2008
Depreciation and impairment (Note 5)	-41.1	-38.8	-40.6
Expenses for remuneration to employees (note 19)	-647.5	-481.9	-420.0
Cost of purchasing and handling goods for resale	-1,446.7	-1,064.5	-887.7
Operational leasing costs (rent)	-52.4	-45.4	-39.1
Other external costs	-308.0	-312.9	-255.6
	<b>-2,495.7</b>	<b>-1,943.5</b>	<b>-1,643.0</b>

## Note 7 Audit fees

	2010	Group 2009	2008
<b>PwC</b>			
The audit assignment	1.0	1.2	1.0
Audit work apart from the audit assignment	0.1	0.1	0.0
Tax consultancy	0.5	0.4	0.8
Other services	0.1	0.5	0.8
	<b>1.7</b>	<b>2.2</b>	<b>2.6</b>
<b>Other auditors</b>			
The audit assignment	1.3	1.6	1.1
Audit work apart from the audit assignment	0.0	0.0	0.0
Tax consultancy	0.1	0.3	0.4
Other services	0.7	1.3	0.9
	<b>2.1</b>	<b>3.2</b>	<b>2.4</b>
<b>Group total</b>	<b>3.8</b>	<b>5.4</b>	<b>5.0</b>

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

	2010	Group 2009	2008
<i>Financial assets measured at fair value</i>			
Fair value, realized and unrealized exchange rate fluctuations	2.4	4.6	12.6
<i>Derivative instruments</i>			
Cash flow hedges	-25.7	-55.8	-13.4
Interest income	0.9	1.9	9.6
	<b>-22.3</b>	<b>-49.2</b>	<b>8.8</b>

## Note 9 Income taxes

	Group			The Parent Company		
	2010	2009	2008	2010	2009	2008
Current tax	-89.5	-78.2	-87.3	-73.2	-60.1	-66.0
Deferred tax	-23.5	-10.7	-0.1	-0.8	-16.4	15.6
	<b>-113.0</b>	<b>-88.9</b>	<b>-87.4</b>	<b>-74.0</b>	<b>-76.5</b>	<b>-50.4</b>
Recognized profit before tax	412.8	306.7	339.8	275.4	279.2	167.3
Theoretical tax (26.3 percent)	-108.6	-80.7	-95.1	-72.4	-73.4	-46.8
Recognized tax	-113.0	-88.9	-87.4	-74.0	-76.5	-50.4
Difference between theoretical and recognized tax	-4.4	-8.2	7.7	-1.6	-3.1	-3.6
<i>Due</i>						
Non-deductible expenses	-4.6	-3.6	-0.4	-1.6	-3.2	-4.1
Differences in tax rates	-2.0	-4.6	6.3	-	-	0.5
Adjustment of previous year's tax	-	0.0	1.8	-	-	-
<i>Deductible</i>						
Non-taxable income	2.2	0.0	0.0	-	0.1	-
	<b>-4.4</b>	<b>-8.2</b>	<b>7.7</b>	<b>-1.6</b>	<b>-3.1</b>	<b>-3.6</b>

The current tax rate for 2010 is 26.3 percent. For the comparative years, the tax rate was 26.3 percent for 2009 and 28 percent for 2008.

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

	2010			2009			2008		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Cash flow hedges	1.2	-0.3	0.9	51.2	-13.5	37.7	-48.8	12.8	-36.0
Hedging of net investment	0.3	-0.1	0.2	6.9	-1.8	5.1	-25.7	7.3	-18.4
Exchange differences	-8.8	-	-8.8	-6.6	-	-6.6	3.9	-	3.9
<b>Other comprehensive income</b>	<b>-7.3</b>	<b>-0.4</b>	<b>-7.7</b>	<b>51.5</b>	<b>-15.3</b>	<b>36.2</b>	<b>-70.6</b>	<b>20.1</b>	<b>-50.5</b>
Deferred tax (note 11)		-0.4			-15.3			20.1	
		-0.4			-15.3			20.1	

## Note 10 Earnings per share

### Earnings per share before dilution

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

	The Parent Company		
	2010	2009	2008
Earnings attributable to the parent company's shareholders	299.8	217.8	252.4
Weighted average number of outstanding ordinary shares, thousands	69 406	69 374	69 374
Earnings per share before dilution, SEK	4.32	3.14	3.64

### Earnings per share after dilution

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

	The Parent Company		
	2010	2009	2008
Earnings attributable to the parent company's shareholders	299.8	217.8	252.4
Weighted average number of outstanding ordinary shares, thousands	69,406	69,374	69,374
Potential dilutive effect of outstanding stock options	-	49	78
Weighted average number of outstanding ordinary shares after dilution, thousands	69,406	69,423	69,452
Earnings per share after dilution, SEK	4.32	3.14	3.63

## Note 11 Deferred tax

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

	Group			The Parent Company		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
<i>Deferred tax assets</i> <sup>1)</sup>						
Property, plant and equipment and intangible assets	3.7	2.6	0.8	-	-	-
Financial instruments	2.7	3.1	19.5	-	0.8	17.3
Inventories	6.2	3.3	2.5	-	-	-
Accumulated loss carryforwards <sup>2)</sup>	-	1.5	1.4	-	-	-
Other items	6.8	9.2	2.1	-	-	-
	19.4	19.7	26.3	-	0.8	17.3
<i>Deferred tax liabilities</i>						
Tax allocation reserve	93.7	69.3	49.3	-	-	-
	93.7	69.3	49.3	-	-	-
Deferred tax assets/tax liabilities <sup>3)</sup>	-74.3	-49.6	-23.0	-	0.8	17.3

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

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

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

## Note 12 Inventories

	Group		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Goods for resale	294.2	224.0	248.7
	294.2	224.0	248.7

Costs of stock impairment (obsolescence) which have been charged to the net profit for the year are included in the item *Cost of goods sold*, and amounted to SEK 16.5 M (7.4).

## Note 13 Trade receivables and other receivables

	Group		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Trade receivables	427.3	408.8	217.9
Provision for impairment of trade receivables	-6.4	-5.9	-6.6
Trade receivables - net	420.9	402.8	211.2
Other receivables	23.6	35.9	34.5
Prepaid expenses and accrued income	32.6	20.4	28.8
	477.0	459.2	274.5

Changes in the provision for doubtful debts are as follows:

	2010	2009	2008
As at January 1	5.9	6.6	2.2
Provision for doubtful debts	1.2	0.8	4.6
Receivables written off during the year that are not recoverable	-0.2	-1.4	-
Reversed unutilized amount	-0.4	-0.1	-0.2
As at December 31	6.4	5.9	6.6

Age distribution of trade receivables:

	Group		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Not due	399.9	338.6	166.7
Of which reserved	-	-	-
Due for up to 3 months	27.4	65.1	45.2
Of which reserved	-6.4	-0.9	-0.7
Due over 3 months	0.0	5.0	5.9
Of which reserved	-	-5.0	-5.9
	420.9	402.8	211.2

The verified customer losses during 2010 totaled SEK 0.2 M (1.4). Credit risk insurance was taken out for one of our customers in 2010.

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

Risk Range	Group		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Lowest risk	91.0	128.8	103.7
Low risk	82.3	103.1	29.7
Medium risk	172.8	122.2	23.5
High risk	11.7	0.9	3.8
Highest risk	6.8	5.8	8.0
Unclassified	61.7	47.2	38.3
No Dun & Bradstreet data	1.0	0.6	10.9
Total	427.3	408.8	217.9

#### Note 14 Other financial assets

	Group		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Aptilo Networks AB <sup>1)</sup>	1.6	1.6	1.6
Other	5.5	6.7	4.0
	7.1	8.3	5.6

<sup>1)</sup> Aptilo is measured according to level 3 in the fair value hierarchy (IFRS 7).

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

#### Note 15 Cash and cash equivalents

	Group			The Parent Company		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Cash and bank balances	256.3	261.8	153.4	64.9	106.9	72.5
Short-term bank investments	110.0	40.0	60.0	110.0	40.0	60.0
	366.3	301.8	213.4	174.9	146.9	132.5

Credit rating of cash and cash equivalents:

	Group					
	Dec 31, 2010	Rating 2010	Dec 31, 2009	Rating 2009	Dec 31, 2008	Rating 2008
Danske Bank	60.4	A	20.0	A	40.0	AA-
HSBC	31.7	AA	29.8	AA	21.6	AA
Nordea	262.1	AA-	251.9	AA-	131.3	AA-
Skandinaviska Enskilda Banken	3.4	A	-	A	9.7	A+
Svenska Handelsbanken	0.1	AA-	-	AA-	0.1	AA-
Other	8.6	N/A	0.1	N/A	10.7	N/A
	366.3		301.8		213.4	

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

#### Note 16 Employee stock option program

Axis has no outstanding stock option programs. The final stock option program expired during 2010, 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 are 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. The allocation of shares through the exercise of options took the form of newly-issued shares.

The premiums paid to the parent company for the stock options amount in total to SEK 12.5 M. 85,550 stock options were exercised during fiscal year 2010.

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

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

Recipients	Due date	Exercise price	Acquisition price	Funds received	Number of options	Number exercised	Number of options	Number of shares	Full dilution
					Dec 31, 2009		Dec 31, 2010		
Employees in the US	September 30, 2010	48.00	15.50	2,669,875	154,850	85,550	0	0	0.00 %
				2,669,875	154,850	85,550	0	0	0.00 %

## Note 17 Other reserves in Equity

	Hedging reserve	Translation reserve	Total
Balance brought forward as at January 1, 2008	2.0	11.7	13.7
Cash flow hedges	-48.8	-	-48.8
Hedging of net investment, equity hedge	-25.7	-	-25.7
Tax relating to cash flow hedges	12.8	-	12.8
Tax relating to the hedging of net investment, equity hedge	7.3	-	7.3
Translation differences	-	3.9	3.9
Balance carried forward as at December 31, 2008	-52.4	15.6	-36.8
Opening balance as at January 1, 2009	-52.4	15.6	-36.8
Cash flow hedges	51.2	-	51.2
Hedging of net investment, equity hedge	6.9	-	6.9
Tax relating to cash flow hedges	-13.5	-	-13.5
Tax relating to the hedging of net investment, equity hedge	-1.8	-	-1.8
Translation differences	-	-6.6	-6.6
Balance carried forward as at December 31, 2009	-9.6	9.0	-0.6
Opening balance as at January 1, 2010	-9.6	9.0	-0.6
Cash flow hedges	1.2	-	1.2
Hedging of net investment, equity hedge	0.3	-	0.3
Tax relating to cash flow hedges	-0.3	-	-0.3
Tax relating to the hedging of net investment, equity hedge	-0.1	-	-0.1
Translation differences	-	-8.8	-8.8
Balance carried forward as at December 31, 2010	-8.5	0.2	-8.3

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 0.9 M (SEK 36.9 M).

## Note 18 Borrowing

	Group		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Long-term portion	1.0	0.1	0.3
	1.0	0.1	0.3

## Note 19 Personnel

Distribution of the average number of employees:

	Women			Men			Total		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
The Parent Company	-	-	-	-	-	-	-	-	-
Brazil	5	4	2	8	7	6	13	11	8
Chile	1	-	-	0	-	-	1	-	-
Denmark	-	-	-	1	1	1	1	1	1
Dubai	2	2	-	5	4	-	7	6	-
France	11	10	10	11	9	7	22	19	17
Japan	7	7	7	4	8	7	11	15	14
Canada	2	-	-	4	-	-	6	-	-
Malaysia	0	-	-	0	-	-	0	-	-
Mexico	0	-	-	0	-	-	0	-	-
Netherlands	1	1	2	7	4	5	8	5	7
Russia	1	1	1	4	3	2	5	4	3
Singapore Et Asia Pacific	21	20	33	47	48	39	68	68	72
Spain Et Italy	5	4	6	19	18	18	24	22	24
UK	3	4	3	10	9	9	13	13	12
Sweden	131	120	102	401	366	317	532	486	419
South Africa	2	3	3	6	6	3	8	9	6
Germany	8	9	5	14	14	12	22	23	17
US	28	28	15	79	54	48	107	82	63
Group total	228	213	189	620	551	474	848	764	663

Salaries and remuneration have totaled:

	Board & CEO			Other			Total		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
The Parent Company	-	-	-	-	-	-	-	-	-
Brazil	-	-	-	10.4	9.5	1.3	10.4	9.5	1.3
Chile	-	-	-	0.7	-	-	0.7	-	-
Denmark	-	-	-	0.6	0.8	0.8	0.6	0.8	0.8
Dubai	-	-	-	6.0	3.6	-	6.0	3.6	-
France	-	-	-	16.6	13.4	10.9	16.6	13.4	10.9
Japan	-	-	-	11.1	9.5	7.4	11.1	9.5	7.4
Canada	-	-	-	4.4	-	-	4.4	-	-
Malaysia	-	-	-	0.0	-	-	0.0	-	-
Mexico	-	-	-	0.0	-	-	0.0	-	-
Netherlands	-	-	-	4.8	3.5	3.8	4.8	3.5	3.8
Russia	-	-	-	2.2	1.4	0.7	2.2	1.4	0.7
Singapore Et Asia Pacific	-	-	-	35.1	25.6	20.2	35.1	25.6	20.2
Spain Et Italy	-	-	-	15.2	11.2	10.5	15.2	11.2	10.5
UK	-	-	-	9.4	7.7	8.2	9.4	7.7	8.2
Sweden	8.2	4.5	3.0	267.4	200.3	187.5	275.6	204.8	190.5
South Africa	-	-	-	4.6	3.0	2.8	4.6	3.0	2.8
Germany	-	-	-	21.5	17.9	13.0	21.5	17.9	13.0
US	-	-	-	73.5	53.8	41.0	73.5	53.8	41.0
Group total	8.2	4.5	3.0	483.5	361.2	308.1	491.7	365.7	311.1

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 (preceding year, four of the board members and the President and CEO). The sixth member of the board of directors this year is a woman. The table above does not include directors' fees.

	Salaries and remuneration			Social security contributions			(of which pension expenses)		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
The Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	491.7	365.7	311.1	155.8	116.2	108.9	40.3	31.3	29.3
Group total	491.7	365.7	311.1	155.8	116.2	108.9	40.3	31.3	29.3

#### Remuneration to the Board of Directors

	Group		
	2010	2009	2008
Director's fees	1.2	1.0	1.0
	1.2	1.0	1.0

#### Remuneration to senior executives

Fees are payable to the chairman of the board and members of the board in accordance with the resolution of the annual general meeting. Of the fees approved, SEK 450,000 is payable to the chairman of the board, and SEK 200,000 to each director who is not an employee of the Axis Group. No directors' fees are payable to board members who are employees of the Axis Group. No special fee is payable for committee work.

Remuneration to the President and CEO and other senior executives consists of basic salary, variable remuneration and pension. The term other senior executives refers to the 7 people (preceding year 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 2010 fiscal year, the bonus amount was maximized to 240 percent of an annual salary for the President and CEO. For the other senior executives, the highest individual amount was maximized to 80 percent of an annual salary. For the 2011 fiscal year, the bonus amounts are maximized to 240 percent of an annual salary for the President and CEO and the highest individual amount for the other senior executives is 80 percent of an annual salary. The bonuses for the President and CEO, and senior executives are based on the financial targets for the group.

The results for the 2010 fiscal year have been charged with SEK 5.1 M in bonus for the President and CEO and SEK 5.4 M in total for the other senior executives. Of the seven senior executives (preceding year seven), five are men (preceding year five) and two are women (preceding year two).

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

	Basic salary/ Fees	Bonus	Other benefits	Pension 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 (seven)	8.2	5.4	0.0	2.8	-	16.4
	12.5	10.5	0.0	5.7	-	28.7

The bonus shown in the table refers to the bonus due for the fiscal year 2010, which is disbursed during the 2011 fiscal year. The bonus in respect of the 2009 fiscal year was paid during 2010 and amounted to SEK 1.7 M for the President and CEO, and a total of SEK 1.8 M for the other senior executives. For information on how the bonus is calculated, see above.

Other benefits and Other remuneration are received on a corresponding basis to other employees.

The retirement age for the President and CEO is 65. The pension insurance premium shall amount to 35 percent of the pensionable salary up to a maximum of 28.5 basic amounts. For a salary in excess of 28.5 basic amounts, a premium of 25 percent is paid.

During 2010, neither the President and CEO nor other senior executives acquired stock options in Axis AB.

#### Pensions

The Axis Group has pension obligations which are classified both as defined benefit and defined contribution plans. In the Swedish units, all pension obligations, apart from those relating to the President and CEO, are classified as defined benefit. In the foreign units, the pension obligations are classified as defined contribution.

The retirement and family pension obligations in respect of white-collar 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 2010, the group did not have access to the information required to allow this plan to be reported as a defined benefit plan. The ITP occupational pension plan is secured through the insurance company, Alecta, and is therefore recognized as a defined contribution plan. The charges for pension insurance policies with Alecta totaled SEK 33.5 M (25) during the year. Alecta's surplus may be allocated to the policyholders and/or the beneficiaries. At the end of 2010, Alecta's surplus in the form of the collective consolidation level amounted to 134 percent (141 percent). The collective consolidation level is calculated as the market value of Alecta's asset portfolio in relation to insurance obligations according to actuarial assumptions set by Alecta, which do not comply with IAS 19.

	Group		
	2010	2009	2008
Costs for defined contribution plans	39.8	27.7	25.7
Cost of special employer's contribution	7.7	5.8	5.6
	47.5	33.5	31.3

#### 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: 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 2010 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 21, 2010 resolved to adopt the board's proposal for guidelines regarding determination of salary and other remuneration to the President and CEO and other senior executives.

### Note 20 Other provisions

	Group		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Warranty provision	16.6	11.4	7.0
	16.6	11.4	7.0

	Group		
	2010	2009	2008
Provisions brought forward	11.4	7.0	5.4
Change during the year	5.2	4.4	1.6
Provisions carried forward	16.6	11.4	7.0

### Note 21 Trade payables and other liabilities

	Group		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Trade payables	235.3	192.5	149.8
Other liabilities	13.2	12.8	20.0
Social security contributions and other taxes	29.0	24.6	26.6
Accrued expenses	259.6	195.6	122.4
	537.1	425.4	318.7

### Note 22 Derivative instruments

Dec 31, 2009	Group		
	Assets	Liabilities	Net
Currency swaps – equity hedge	-	-4.1	-4.1
Currency futures – equity hedge	-	-0.1	-0.1
Currency futures – cash flow hedge	2.4	-1.2	1.2
	2.4	-5.4	-3.0
Dec 31, 2010	Assets	Liabilities	Net
Currency swaps – equity hedge	-	-	-
Currency futures – equity hedge	-	-	-
	-	-	-

All derivative instruments are measured according to level 2 in the fair value hierarchy (IFRS 7).

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

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

	The Parent Company		
	2010	2009	2008
Group contributions received	327.3	314.6	356.8
Write down of shares in subsidiaries	-0.1	-8.2	-5.4
	327.2	306.4	351.4

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

	The Parent Company		
	2010	2009	2008
Interest income	0.8	1.3	7.6
Interest income from group companies	0.3	0.3	0.3
Exchange differences	65.8	131.1	22.4
	66.9	132.7	30.3

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

	The Parent Company		
	2010	2009	2008
Interest expenses	-1.0	0.0	-0.2
Interest expense to group companies	-	-	-0.5
Exchange differences	-20.9	-79.7	-132.0
Other financial expenses	-0.5	-0.5	-0.4
	-22.3	-80.3	-133.1

## 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, 2010	Dec 31, 2009	Dec 31, 2008
Axis Communications AB	Sweden, Lund	556253-6143	100 %	1,600	0.2	0.3	0.3	0.3
Gren Et Karlsson Firmware AB	Sweden, Lund	556304-6209	100 %	500	0.1	0.1	0.1	0.1
Axis Technologies AB	Sweden, Lund	556485-0765	100 %	500	0.1	0.1	0.1	0.1
Axis Alfa AB	Sverige, Lund	556599-4547	100 %	500	0.1	0.1	0.1	0.1
Axis Beta AB	Sverige, Lund	556599-4588	100 %	500	0.1	0.1	0.1	0.1
Axis Gamma AB	Sverige, Lund	556599-4562	100 %	500	0.1	0.1	0.1	0.1
						0.7	0.7	0.7

Shares owned by subsidiaries	Registered office	Corporate registration no.	Share of equity
Axis Communications Pty Ltd	Australia		100 %
Axis Communications Com e Serv Ltda	Brazil		100 %
Axis Comunicaciones Chile Limitada	Chile		100 %
Axis Attento Aps	Denmark		100 %
Axis Communications SA	France		100 %
Axis Video Systems India Private Limited	India		100 %
Axis Communications S.r.l.	Italy		100 %
Axis Communications KK	Japan		100 %
Axis Communications Inc. Canada	Canada		100 %
Axis Communications Ltd	China, Hong Kong		100 %
Shanghai Axis Communication Equipment Trading Co. Ltd	China, Shanghai		100 %
Axis Communications Korea Co. Ltd.	Korea		100 %
Axis Communications Video Sdn. Bhd.	Malaysia		100 %
Axis LAC S.A. de C.V.	Mexico		100 %
Axis Communications BV	Netherlands		100 %
Axis Communications OOO	Russia		100 %
Axis Communications (S) Pte Ltd	Singapore		100 %
AxerNet Communications SA	Spain		100 %
Axis Communications (UK) Ltd	UK		100 %
Axis Network AB	Sweden, Lund	556505-3450	100 %
Axis Peripherals AB	Sweden, Lund	556505-1785	100 %
Axis Communications (SA) (Pty) Ltd	South Africa		100 %
Axis Communications Ltd	Taiwan		100 %
Axis Communications GmbH	Germany		100 %
Axis Communications Inc	US		100 %

## Note 27 Contingent liabilities and Pledged assets

Contingent liabilities	Group			The Parent Company		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Contingent liabilities on behalf of other group companies	-	-	-	-	0.2	6.7
	-	-	-	-	0.2	6.7

Pledged assets	Group			The Parent Company		
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
Customs bond	6.0	-	-	-	-	-
	6.0	-	-	-	-	-

## Note 28 Cash flow from operating activities

	Group			The Parent Company		
	2010	2009	2008	2010	2009	2008
Net profit/loss for the period before financial items	415.0	308.0	340.6	-3.5	-3.4	-2.7
Adjusted for:						
- depreciation of property, plant and equipment	24.4	19.4	13.5	-	-	-
- depreciation and amortization of intangible assets	16.7	19.3	27.1	-	-	-
- other items not affecting liquidity	0.0	0.8	-9.1	-	-	-0.1
Change in working capital						
- inventories	-70.2	24.7	-82.5	-	-	-
- trade receivables and other receivables	-21.9	-189.5	-3.5	-1.0	-207.1	303.2
- trade payables and other liabilities	114.9	89.6	73.1	-1.9	-65.5	-265.8
Cash flow from operating activities	478.9	272.3	359.2	-6.4	-276.0	34.6

## 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 stock 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 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 14, 2011.

Lund, February 2, 2011

Lars-Erik Nilsson  
*Chairman*

Ray Mauritsson  
*President*

Göran Jansson

Martin Gren

Charlotta Falvin

Olle Isberg

Roland Vejdemo

Our audit report was submitted on February 2, 2011.

Öhrlings PricewaterhouseCoopers AB

Bertil Johanson  
*Authorized Public Accountant  
Chief Auditor*

## Audit report

To the annual meeting of the shareholders of Axis AB (publ)  
Corporate identity number 556241-1065

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Axis AB (publ) for the year 2010. The company's annual accounts and the consolidated accounts are included in the printed version on pages 38-65. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. A corporate governance report has been prepared. The statutory administration report and the corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the consolidated statement of comprehensive income and balance sheet of the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Lund, February 2, 2011  
Öhrlings PricewaterhouseCoopers AB

Bertil Johanson  
*Authorized Public Accountant  
Chief Auditor*

## Multi-year summary

INCOME STATEMENT (SEK M)	2005	2006	2007	2008	2009	2010
Net sales	895.1	1 202.5	1 671.3	1 974.8	2 300.7	2 933.0
Cost of goods and services sold	-412.1	-543.5	-747.9	-887.7	-1 064.5	-1 446.7
<b>Gross profit</b>	<b>483.0</b>	<b>659.0</b>	<b>923.4</b>	<b>1 087.1</b>	<b>1 236.2</b>	<b>1 486.3</b>
Other income and changes in value	-2.7	2.5	7.2	8.8	-49.2	-22.3
Selling and marketing expenses	-176.3	-226.7	-307.5	-403.8	-455.5	-553.6
Administrative expenses	-53.3	-53.5	-61.7	-82.9	-91.3	-113.3
Research and development expenses	-122.5	-158.2	-193.4	-268.6	-332.1	-382.1
<b>Operating profit/loss</b>	<b>128.2</b>	<b>223.2</b>	<b>368.1</b>	<b>340.6</b>	<b>308.1</b>	<b>415.0</b>
Net financial income/expense	-0.7	-0.8	-0.7	-0.8	-1.4	-2.2
<b>Profit/loss after financial items</b>	<b>127.5</b>	<b>222.4</b>	<b>367.4</b>	<b>339.8</b>	<b>306.7</b>	<b>412.8</b>
Tax on profit/loss for the period	-36.5	-65.0	-108.6	-87.4	-88.9	-113.0
<b>Net profit/loss for the year</b>	<b>91.1</b>	<b>157.4</b>	<b>258.8</b>	<b>252.4</b>	<b>217.8</b>	<b>299.8</b>

BALANCE SHEET (SEK M)	Dec 31, 2005	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010
Non current assets	107.2	85.6	91.0	105.8	130.9	141.4
Inventories	117.8	151.7	166.1	248.7	224.0	294.2
Account receivables	142.7	202.6	237.3	211.3	402.8	420.9
Other receivables	25.3	36.0	35.9	80.1	58.8	56.1
Cash and cash equivalents	187.2	313.5	384.1	213.4	301.8	366.3
<b>Total</b>	<b>580.2</b>	<b>789.3</b>	<b>914.4</b>	<b>859.3</b>	<b>1 118.3</b>	<b>1 278.9</b>
Equity	407.3	501.1	551.5	441.1	608.4	627.2
Long-term liabilities	10.8	15.7	40.1	30.8	61.7	92.9
Current liabilities	162.2	272.5	322.8	387.4	448.2	558.8
<b>Total</b>	<b>580.2</b>	<b>789.3</b>	<b>914.4</b>	<b>859.3</b>	<b>1 118.3</b>	<b>1 278.9</b>

CASH FLOW STATEMENT (SEK M)	2005	2006	2007	2008	2009	2010
Cash flow from operating activities before change in working capital	145.7	240.6	308.4	244.3	299.2	368.6
Change in working capital	-15.1	-13.7	-12.0	-12.9	-75.2	22.8
Cash flow from operating activities	130.5	226.9	296.4	231.4	224.0	391.4
Cash flow from investing activities	-29.9	-38.0	-27.8	-55.3	-62.2	-51.7
Cash flow from financing activities	-34.4	-62.7	-197.9	-346.8	-73.4	-275.2
Cash flow for the period	66.2	126.2	70.7	-170.7	88.4	64.5
Cash and cash equivalents at the start of the period	121.0	187.2	313.5	384.1	213.4	301.8
Cash and cash equivalents at the close of the period	187.2	313.5	384.1	213.4	301.8	366.3

OPERATING CASH FLOW (SEK M)	2005	2006	2007	2008	2009	2010
Profit/loss after financial items	127.5	222.4	367.4	339.8	306.7	412.8
Depreciation	12.5	20.6	21.9	40.6	38.7	41.1
Tax	0.0	-6.3	-75.1	-127.0	-46.9	-85.3
<b>Total</b>	<b>140.0</b>	<b>236.7</b>	<b>314.2</b>	<b>253.4</b>	<b>298.5</b>	<b>368.6</b>
Change in working capital	-15.1	-13.7	-12.0	-12.9	-75.2	22.8
Net investment	-29.9	-38.0	-27.8	-55.3	-62.2	-51.7
<b>Operating cash flow</b>	<b>95.0</b>	<b>185.0</b>	<b>274.4</b>	<b>185.2</b>	<b>161.1</b>	<b>339.7</b>

KEY RATIOS	2005	2006	2007	2008	2009	2010
Net sales growth, %	29.4	34.3	39.0	18.2	16.5	27.5
Gross margin, %	54.0	54.8	55.2	55.0	53.7	50.7
Operating margin, %	14.3	18.6	22.0	17.2	13.4	14.1
Profit margin, %	14.2	18.5	22.0	17.2	13.3	14.1
Depreciation, SEK M	13	20	22	41	39	41
Equity, SEK M	407	501	551	441	608	627
Capital employed, SEK M	412	517	592	472	683	720
Interest-bearing liabilities, SEK M	7	6	6	-	-	-
Net debt, SEK M	180	302	390	213	302	366
Balance sheet total, SEK M	580	789	914	859	1118	1279
Return on capital employed, %	33.6	48.1	66.4	64.1	54.0	59.2
Return on total assets, %	24.4	32.6	43.2	38.4	31.2	34.6
Return on equity, %	24.6	35.3	50.3	49.3	43.1	49.3
Interest coverage ratio, multiple	196.9	297.5	517.0	411.9	220.1	191.4
Equity/assets ratio, %	70.2	63.5	60.4	51.3	54.4	49.0
Proportion risk-bearing capital,%	70.2	64.1	63.5	54.0	58.8	54.9
Capital turnover rate, multiple	2.3	2.6	3.0	3.7	4.0	4.2
Number of employees (average for the period)	361	427	507	663	764	848
Sales per employee, SEK M	2.5	2.8	3.3	3.0	3.0	3.5
Operating profit per employee, SEK M	0.4	0.5	0.7	0.5	0.4	0.5
<b>DATA PER SHARE</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Profit after financial items, SEK	1.85	3.21	5.30	4.90	4.42	5.95
Cash flow, SEK	0.96	1.82	1.02	-2.46	1.27	0.93
Equity, SEK	5.91	7.24	7.95	6.36	8.77	9.03
Share price at the close of the period	58.25	91.75	159.00	57.50	83.75	122.50
Price/equity, percent	986	1268	2000	904	955	1357
Dividend, SEK (paid during the year)	0.5	1.00	3.00	4.50	1.25	4.00
P/E ratio	44	40	43	16	27	28
P/S ratio	4.5	5.3	6.60	2.02	2.53	2.90
Profit per share before dilution, SEK	1.32	2.28	3.73	3.64	3.14	4.32
Profit per share after dilution, SEK	1.32	2.27	3.73	3.63	3.14	4.32
Number of shares before dilution, average, thousand	68,906	69,084	69,315	69,374	69,374	69,406
Number of shares after dilution, average, thousand	69,121	69,220	69,426	69,452	69,423	69,406
Number of outstanding shares (thousand)	68,925	69,253	69,372	69,374	69,376	69,461
Average number of shares (thousand)	68,906	69,084	69,315	69,374	69,374	69,406

## Definitions

### Capital employed

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

### Capital turnover rate

Net sales divided by average capital employed.

### Cash flow per share

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

### Earnings per share

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

### Equity/assets ratio

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

### Equity per share

Equity divided by the number of outstanding shares.

### Gross margin

Gross profit as a percentage of net sales.

### Interest coverage ratio

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

### Net debt

Net interest-bearing receivables and liabilities.

### Operating margin

Operating profit as a percentage of sales.

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

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

### P/E

Market value divided by profit after full tax.

### P/S

Market value divided by net sales.

### Profit margin

Profit after financial items as a percentage of sales.

### Profit per employee

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

### Proportion of risk-bearing capital

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

### Return on capital employed

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

### Return on equity

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

### Return on total assets

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

### Sales per employee

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

## Quarterly data

Invoicing per product group (SEK M)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Full year 2010
Video	509.7	531.3	558.1	645.8	633.1	665.0	722.1	869.0	2,889.2
Print	11.0	9.5	9.0	9.9	5.9	9.1	9.0	4.8	28.8
Scan	8.2	0.8	0.6	3.1	1.4	2.8	4.5	1.5	10.2
Other	2.7	0.6	0.3	0.0	2.2	1.4	1.2	0.0	4.9
<b>Total</b>	<b>531.6</b>	<b>542.2</b>	<b>568.0</b>	<b>658.8</b>	<b>642.6</b>	<b>678.3</b>	<b>736.8</b>	<b>875.3</b>	<b>2,933.0</b>

Invoicing per region (SEK M)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Full year 2010
EMEA	223.0	222.5	235.6	319.9	291.0	265.2	300.0	403.4	1,259.7
Americas	259.2	277.8	281.6	266.8	285.2	347.6	360.3	379.9	1,373.0
Asia	49.4	41.9	50.8	72.1	66.4	65.5	76.5	92.0	300.4
<b>Total</b>	<b>531.6</b>	<b>542.2</b>	<b>568.0</b>	<b>658.8</b>	<b>642.6</b>	<b>678.3</b>	<b>736.8</b>	<b>875.3</b>	<b>2,933.0</b>

Income statement (SEK M)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Full year 2010
Net sales	531.6	542.2	568.0	658.8	642.6	678.3	736.8	875.3	2,933.0
Gross profit	296.7	296.7	297.0	345.8	333.8	339.2	371.0	442.3	1,486.3
Gross margin	55.8 %	54.7 %	52.3 %	52.5 %	51.9 %	50.0 %	50.4 %	50.5 %	50.7 %
Operating profit/loss	46.4	46.4	94.6	120.6	95.2	74.0	120.5	125.3	415.0
Operating margin	8.7 %	8.6 %	16.7 %	18.3 %	14.8 %	10.9 %	16.4 %	14.3 %	14.1 %
Profit after financial items	46.3	46.0	94.3	120.1	94.9	73.5	119.8	124.7	412.8

# Board of Directors and Auditors



*Lars-Erik Nilsson*

Chairman of the Board. Born 1943.  
Board member since 2003. (Chairman of the Board since September 2005.)  
Chairman of Avensia Innovation AB (formerly Luvit AB) and UClarity AB.  
Board member of Consellar AB and MultiQ International AB.  
Education: Graduate engineer.  
Work experience: Ericsson, Thomson CSF Skandinavien, Compaq Computer AB.  
Principal employment: Various directorships.  
Shares in Axis: 10,000



*Charlotta Falvin*

Born 1966.  
Board member since 2006.  
Board member of Anoto AB.  
Education: Master of Business Administration, Lund University.  
Work experience: Lars Weibull AB, Axis Communications AB, Decuma AB, TAT.  
Principal employment: Senior Director at Research in Motion Inc.  
Shares in Axis: 10,750



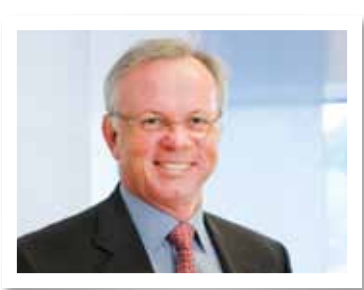
*Martin Gren*

Born 1962.  
Board member since 1984.  
Chairman of Grenspecialisten AB.  
Board member of Askero Sagoboks Förlag AB, Askero Invest AB and Tobii Technology AB.  
Education: Lund University.  
Work experience: Co-founder of Axis.  
Principal employment: Employed by Axis Communications AB.  
Shares in Axis: 7,157,471 through Grenspecialisten AB



*Olle Isberg*

Born 1961.  
Board member since 2006.  
Chairman of Awardit AB, Björkliden Fjällby AB, Visionalis AB, Anerem AB and Hotel Stureplan AB. Board member of Progressum AB.  
Education: Stockholm School of Economics.  
Work experience: Öhman Fondkommission, Ratos, H&B Capital.  
Principal employment: CEO Visionalis AB.  
Other assignments: Senior Advisor LMK Industri AB.  
Shares in Axis: 0



*Göran Jansson*

Born 1958.  
Board member since 2007.  
Chairman of BANQIT AB and nWise AB.  
Board member of Human Care AB, Note AB and Stille AB.  
Education: Master of Business Administration, Stockholm University.  
Work experience: Industriförvaltnings AB Kinnevik, Tele2, Assa Abloy AB.  
Principal employment: Various directorships.  
Shares in Axis: 10,000



*Roland Vejdemo*

Born 1957.  
Board member since 2010.  
Chairman of Rebecco Trading AB and Green Cross Europe AB.  
Education: Master of Business Administration, Stockholm University.  
Work experience: Ericsson Information Systems, Nokia Data, TM-Data, Compaq Sverige, Hewlett-Packard Sverige AB.  
Principal employment: Various directorships.  
Shares in Axis: 0

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

# 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



## *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: Agellis, poLight.  
Shares in Axis: 1,150



## *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 N.V., DaimlerChrysler Denmark Sweden.  
Shares in Axis: 271



## *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 AB.  
Directorships: Svep Design Center AB.  
Shares in Axis: 28,000





### *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, Pricewaterhouse-  
Coopers.  
Shares in Axis: 28,000



### *Bodil Sonesson Gallon*

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



### *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 and Bona Kemi.  
Shares in Axis: 377



### *Jonas Hansson*

Born 1967.  
Chief Information Officer  
Employed by Axis since 2000.  
Education: Master of Science, Chemical  
engineering, Lund University and degree in  
journalism, Lund University.  
Previous employment: Netch Technologies AB,  
Nationalencyklopedin.  
Shares in Axis: 8,132

# 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 (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.



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# Financial information 2011

Interim report, January–March: Wednesday, April 13  
Annual General Meeting: Thursday, April 14  
Interim report, January–June: Friday, July 8  
Interim report, January–September: Thursday, October 20  
Annual report 2011 to be published in March 2012

Reports may also be ordered from Axis AB, Emdalavägen 14, 223 69 Lund,  
phone +46 46 272 18 00, fax +46 46 13 61 30, e-mail [ir@axis.com](mailto:ir@axis.com)  
Financial information is available in Swedish and English on Axis' website: [www.axis.com](http://www.axis.com)

## Annual General Meeting

The Annual General Meeting of the company will be held at Emdalavägen 14, Lund, on Thursday April 14, 2011 at 5.00 p.m. Shareholders must also have advised the company of their intention to attend the annual general meeting no later than 4 p.m. on Friday, April 8, 2011. The notification should include the shareholder's name, Swedish civil registration or corporate registration number (where appropriate), address and phone number.

Shareholders who wish to participate in the annual general meeting must be registered in their own names in the print-out of the share register produced by Euroclear Sweden AB on Friday, April 8, 2011. Shareholders whose shares are held through nominees, must get the nominee to register the shares in their own name in order to be entitled to attend the meeting, so that the shareholder concerned is registered in the share register on April 8, 2011. 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 head office, or
- > via the company's website, [www.axis.com](http://www.axis.com)

If participation is through power of attorney, the power of attorney must be submitted before the general meeting. The power of attorney form will be available from the company and on the company's website as from March 10. The notification must also state the number of assistants the shareholder wishes to bring to the annual general meeting.

The final day for trading in the company's shares including right to dividend is April 14, 2011.

Axis is an IT company offering network video solutions for professional installations. The company is the global market leader in network video, driving the ongoing shift from analog to digital video surveillance. Axis' products and solutions focus on security surveillance and remote monitoring, and are based on innovative and open technology platforms.

Axis is a Swedish-based company, operating worldwide with offices in more than 20 countries and cooperating with partners in more than 70 countries. Founded in 1984, Axis is listed on NASDAQ OMX Stockholm, under the ticker AXIS.

For more information about Axis, please visit our website at [www.axis.com](http://www.axis.com).



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