

# Interim report January–September 2010



- Net sales during the period amounted to SEK 2,058 M (1,642), sales amounted to SEK 737 M (568) during the third quarter.
- Operating profit during the period amounted to SEK 290 M (188), operating profit amounted to SEK 121 M (95) during the third quarter.
- Profit before tax during the period amounted to SEK 288 M (187), profit before tax amounted to SEK 120 M (94) during the third quarter.
- Profit after tax during the period amounted to SEK 210 M (133), profit after tax amounted to SEK 88 M (66) during the third quarter.
- Earnings per share for the period amounted to SEK 3.03 (1.91), earnings per share amounted to SEK 1.27 (0.95) during the third quarter.

## President's comments

The market's interest for Axis' network video products continued to develop positively during the third quarter. All regions showed a favorable sales trend, which resulted in total growth of 30 percent during the third quarter compared with the corresponding quarter of the preceding year. The inflow of new projects for installations of network cameras in security installations has continued at a stable level during the period July through September.

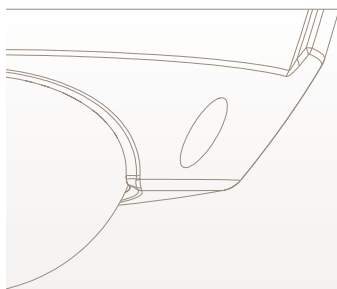
The global expansion is continuing and a further 38 people were employed during the quarter, evenly distributed between sales and research & development. There were 888 employees (776) at the end of the period, which means that 112 new employees were added during the year.

Ray Mauritsson  
*President*

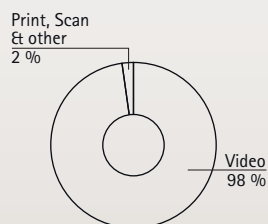
**About Axis Communications.** *Axis is an IT company offering network video solutions for professional installations. The company is the global market leader in network video, driving the ongoing shift from analog to digital video surveillance. Axis products and solutions focus on security surveillance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

*Axis is a Swedish-based company, operating worldwide with offices in more than 20 countries and cooperating with partners in more than 70 countries. Founded in 1984, Axis is listed on the NASDAQ OMX, under the ticker AXIS. For more information about Axis, please visit our web site at [www.axis.com](http://www.axis.com).*



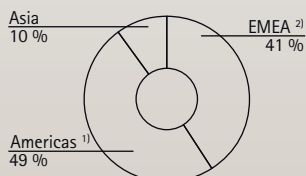


### Invoiced sales per product group, Q3 2010



Product area Video represents 98 % of Axis' sales.

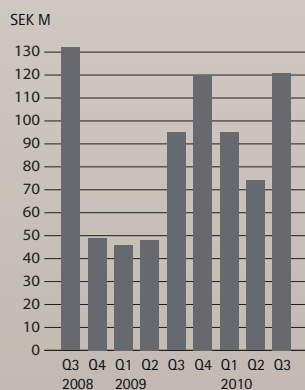
### Invoiced sales per region, Q3 2010



<sup>1)</sup> Incl North, South and Central America  
<sup>2)</sup> Incl Europe, the Middle East and Africa

Americas is the largest region, followed by EMEA och Asia.

### Operating profit / EBIT



## Sales

### July–September, third quarter

Net sales totaled SEK 737 M (568) during the period July–September, which is an increase of 30 percent compared with the corresponding period of the preceding year. Foreign currency effects impacted sales negatively during the quarter by SEK 26 M (+84).

Sales in the Americas region amounted to SEK 360 M (282) during the third quarter, which corresponded to growth of 28 percent in Swedish as well as local currency. Sales in the EMEA region amounted to SEK 300 M (236), corresponding to growth of 27 percent. Growth totaled 39 percent in local currency terms. The Asia region reported sales of SEK 77 M (51), corresponding to growth of 51 percent. Growth totaled 44 percent in local currency terms.

### January–September

Net sales for the first nine months of the year amounted to SEK 2,058 M (1,642). Growth in Swedish Krona amounted to 25 percent. Foreign currency effects during the period impacted sales negatively by SEK 161 M (+316).

Invoiced sales per product group, SEK M	Q3 2010	Q3 2009	Q1–Q3 2010	Q1–Q3 2009	Full year 2009	Q409–Q410 12 months
Video	722.1	558.1	2,021.1	1,599.1	2,244.9	2,666.9
Print	9.0	9.0	23.9	29.5	39.4	33.8
Scan	4.5	0.6	8.7	9.6	12.7	11.8
Other	1.2	0.3	4.0	3.7	3.7	4.0
TOTAL	736.8	568.0	2,057.7	1,641.9	2,300.7	2,716.5

Invoiced sales per region, SEK M	Q3 2010	Q3 2009	Q1–Q3 2010	Q1–Q3 2009	Full year 2009	Q409–Q410 12 months
EMEA	300.0	235.6	856.2	681.2	1,001.1	1,176.1
Americas	360.3	281.6	993.1	818.6	1,085.4	1,259.9
Asia	76.5	50.8	208.4	142.1	214.2	280.5
TOTAL	736.8	568.0	2,057.7	1,641.9	2,300.7	2,716.5

## Operating profit

### July–September, third quarter

Operating profit during the third quarter amounted to SEK 121 M (95), corresponding to an operating margin of 16.4 percent (16.7). Profit before tax was SEK 120 M (94). Profit after tax amounted to SEK 88 M (66). The gross margin continued to be stable and totaled 50.4 percent (52.3). The total foreign currency effect, including results of remaining currency hedging, amounted to SEK -15 M (+10).

### January–September

The Group's operating profit for the first nine months of the year amounted to SEK 290 M (188), corresponding to an operating margin of 14.1 percent (11.4). The gross margin was 50.7 percent (54.2). Profit before tax rose to SEK 288 M (187) and profit after tax increased to SEK 210 M (133). Changes in foreign exchange rates had a negative impact of SEK 39 M (+43) on operating profit.

Condensed income statement, SEK M	Q3 2010	Q3 2009	Q1–Q3 2010	Q1–Q3 2009	Full year 2009	Q409–Q310 12 months
Net sales	736.8	568.0	2,057.7	1,641.9	2,300.7	2,716.5
Gross profit	371.0	297.0	1,044.0	890.4	1,236.2	1,389.8
<i>Gross margin</i>	<i>50.4 %</i>	<i>52.3 %</i>	<i>50.7 %</i>	<i>54.2 %</i>	<i>53.7 %</i>	<i>51.2 %</i>
Operating profit	120.5	94.6	289.6	187.5	308.1	410.2
<i>Operating margin</i>	<i>16.4 %</i>	<i>16.7 %</i>	<i>14.1 %</i>	<i>11.4 %</i>	<i>13.4 %</i>	<i>15.1 %</i>
Pretax profit	119.8	94.3	288.1	186.6	306.7	408.2

## Cash flow and financial position

Cash flow from operating activities amounted to SEK 60 M (138) during the period January–September. Net investments amounted to SEK 33 M (39). Capitalized development expenses amounted to SEK 13 M (22) during the period.

Axis had SEK 82 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 170 M (granted credit facility was SEK 200 M). Accordingly, the company had a total of SEK 252 M at its disposal at September 30, 2010.

## Shareholders' equity

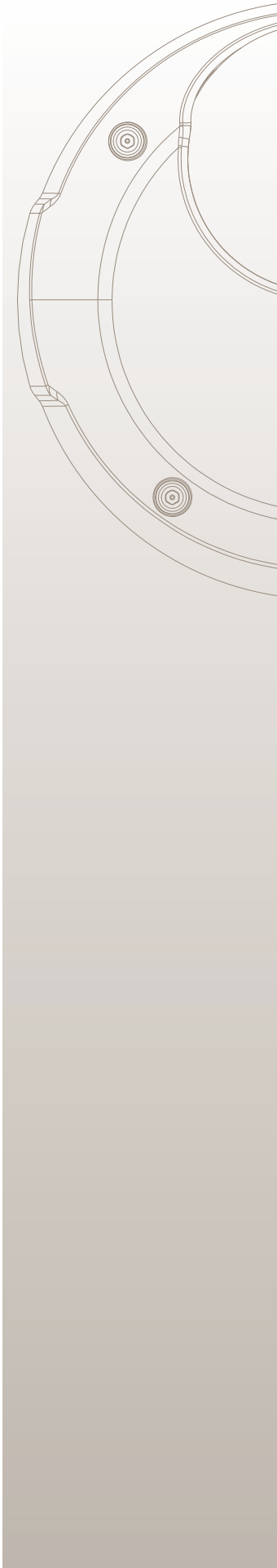
Consolidated shareholders' equity amounted to SEK 529 M (539). The total number of shares at the end of the period was 69,418,200. After full exercise of outstanding warrants, the number of shares amounts to 69,530,550. The Group's equity/assets ratio was 47.6 percent (54.3) at September 30, 2010.

(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan 1, 2009	0.7	275.0	-36.8	202.2	441.1
Total comprehensive income for the period	-	-	34.8	66.7	101.5
Dividend	-	-	-	-86.7	-86.7
Closing balance at 30 June, 2009	0.7	275.0	-2.0	182.2	455.8
Opening balance at Jan 1, 2010	0.7	275.0	-0.6	333.3	608.4
Total comprehensive income for the period	-	-	-13.5	210.0	196.5
Exercise of warrants	-	1.9	-	-	1.9
Dividend	-	-	-	-277.5	-277.5
Closing balance at 30 June, 2010	0.7	276.9	-14.1	265.8	529.3

## Significant events during the period July–September

Axis Communications maintains its strong market-leading position for network cameras and further improved its position in the category – vendors providing security cameras, which covers analog cameras as well as network cameras. This was presented in the report "The World Market for CCTV & Video Surveillance Equipment", published by the English market research company IMS Research\*.

\*The 2010 edition of the annual IMS Research report "The World Market for CCTV & Video Surveillance Equipment" is based on data compiled in 2009 and provides an overall view of the video surveillance market both for manufacturers of traditional analog cameras and for network video manufacturers such as Axis.



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

According to IMS Research, growth for network video products will be approximately 27 % over the next five years. By 2014, network camera sales are forecast to account for 48 % of total worldwide camera sales.

Axis' product portfolio was broadened during the quarter with the introduction of the thermal network cameras AXIS Q1921 and AXIS Q1921-E. These network cameras offer enhanced resolution and a larger detection range than the AXIS 1910/-E camera, which was released at the start of the year. The new network cameras are suited for cost-efficient around-the-clock surveillance of, for example, roads, tunnels and airports. Thermal network cameras may also be used in severe weather conditions as well as in smoky or dusty environments.

A new package of Axis' network cameras and software was introduced during the period in order to meet the surveillance needs of small and medium-sized companies. Through a package solution, Axis offers customers the possibility of installing HDTV-quality network cameras at a moderate price, for example in shops or in smaller offices. The offering consists of network cameras in the new AXIS M series, AXIS M10, AXIS M11, AXIS M32, which are supplied complete with the AXIS Camera Station software.

## Outlook

The positive market development since the beginning of the year has continued during the period July through September. The number of project inquiries concluded seems to show a continued stable trend, particularly in respect of medium-sized security installations within retail, the transport sector and city surveillance. The risk of supply disruptions in respect of components, which was communicated in previous reports, remains unchanged which implies some risk of increasing component prices.

The company's goal is to continue strengthening its position as the market-leading supplier of network video solutions. To achieve its goals and in order to meet the increasing competition, Axis will continue its focused strategy which involves the introduction of innovative network video products, continued recruitment as well as advancement of partnerships which provide a local presence globally.

## The Axis share

The company's share is listed on the OMX Nordic Exchange, Stockholm AB on the Mid Cap segment, under the ticker AXIS. Share trading during the period from January 1 through September 30, 2010 averaged SEK 16 M per day. On average, 159,424 shares per day were traded during the same period. The average share price during the period was SEK 99.21. The total number of shares in the company at the end of the period was 69,418,200.

## Nomination Committee

Axis' nomination 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. 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.

## Annual General Meeting

Axis' Annual General Meeting will take place on April 14 at 5 p.m. in Lund. Venue to be announced subsequently.

## Reporting dates

The year-end report for Axis AB will be presented on Wednesday, February 3, 2011.

## Accounting policies

This interim report is prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. For information on the accounting policies applied, see the 2009 Annual Report. The accounting policies are unchanged, compared with those applied in 2009.

## Risks and uncertainties

Axis' operations are subject to a number of risks and uncertainties, which are stated in the Annual Report for 2009. As of September 30, it is our assessment that no new significant risks or uncertainties have arisen.

## Parent Company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. Sales totaled SEK 6 M (8). Operating profit amounted to SEK -2 M (-2). Cash and cash equivalents totaled SEK 0 M (71) and borrowing was SEK 30 M (0). No investments have taken place during the interim period.

Lund, October 15, 2010

Ray Mauritsson  
*President*

## Consolidated income statement

(SEK M)	Q3 2010	Q3 2009	Q1–Q3 2010	Q1–Q3 2009	Full year 2009	Q409–Q310 12 months
Net sales	736.8	568.0	2,057.7	1,641.9	2,300.7	2,716.5
Cost of sold products and services	-365.8	-271.0	-1,013.7	-751.5	-1,064.5	-1,326.7
<b>Gross profit</b>	<b>371.0</b>	<b>297.0</b>	<b>1,044.0</b>	<b>890.4</b>	<b>1,236.2</b>	<b>1,389.8</b>
Other revenues and changes in value	2.2	-13.8	-10.1	-64.5	-49.2	5.2
Selling and marketing costs	-134.2	-94.8	-391.3	-329.0	-455.5	-517.8
Administrative costs	-27.0	-18.7	-82.3	-66.3	-91.3	-107.3
Research and development costs	-91.5	-75.1	-270.7	-243.1	-332.1	-359.7
<b>Operating profit *</b>	<b>120.5</b>	<b>94.6</b>	<b>289.6</b>	<b>187.5</b>	<b>308.1</b>	<b>410.2</b>
Financial expenses	-0.7	-0.3	-1.5	-0.9	-1.4	-2.0
<b>Pretax profit</b>	<b>119.8</b>	<b>94.3</b>	<b>288.1</b>	<b>186.6</b>	<b>306.7</b>	<b>408.2</b>
Tax	-31.6	-28.3	-78.1	-53.9	-88.9	-113.1
<b>Net profit for the period</b>	<b>88.2</b>	<b>66.0</b>	<b>210.0</b>	<b>132.7</b>	<b>217.8</b>	<b>295.1</b>
<b>Other comprehensive income</b>						
Cash flow hedges	0.4	20.7	1.1	66.1	51.2	-13.8
Hedging of net investments	0.0	9.3	0.3	9.8	6.9	-2.6
Exchange rate differences	-25.9	-4.5	-14.5	-3.9	-6.6	-17.2
Tax attributable to components in other comprehensive income	-0.1	-8.0	-0.4	-20.0	-15.3	4.3
<b>Other comprehensive income for the period, net after tax</b>	<b>-25.6</b>	<b>17.5</b>	<b>-13.5</b>	<b>52.0</b>	<b>36.2</b>	<b>-29.3</b>
<b>Net profit for the period</b>	<b>62.6</b>	<b>83.5</b>	<b>196.5</b>	<b>184.7</b>	<b>254.0</b>	<b>265.8</b>
Total comprehensive income attributable to:						
The Parent Company's shareholders	62.6	83.5	196.5	184.7	254.0	265.8
Earnings per share before dilution, SEK	1.27	0.95	3.03	1.91	3.14	4.25
Earnings per share after dilution, SEK	1.27	0.95	3.02	1.91	3.14	4.25
Average number of shares before dilution, thousands	69,405	69,374	69,388	69,374	69,374	69,384
Average number of shares after dilution, thousands	69,440	69,420	69,440	69,420	69,423	69,440

\* Net effects of hedging and changes in exchange rates in underlying liabilities and receivables denominated in foreign currencies have impacted operating profit positively by SEK 2 M (negatively by 14) for the third quarter and negatively by SEK 11 M (negatively by 66) for the first nine months.

## Cash-flow statement

(Mkr)	Q3 2010	Q3 2009	Q1–Q3 2010	Q1–Q3 2009	Full year 2009	Q409–Q310 12 months
Cash flow from operating activities before change in working capital	87.8	63.1	234.5	203.0	299.2	330.7
Change in working capital	-64.8	33.3	-174.2	-64.8	-75.2	-184.6
<b>Cash flow from operating activities</b>	<b>23.0</b>	<b>96.4</b>	<b>60.3</b>	<b>138.2</b>	<b>224.0</b>	<b>146.1</b>
Cash flow from investment activities	-10.8	-10.5	-32.5	-39.1	-62.2	-55.6
Cash flow from financing activities	-17.9	9.5	-247.5	-77.2	-73.4	-243.7
<b>Cash flow for the period</b>	<b>-5.7</b>	<b>95.4</b>	<b>-219.7</b>	<b>21.9</b>	<b>88.4</b>	<b>-153.2</b>
Cash and cash equivalents, beginning of period	87.8	139.9	301.8	213.4	213.4	235.3
Cash and cash equivalents, end of period	82.1	235.3	82.1	235.3	301.8	82.1

## Consolidated balance sheet

(SEK M)	Sept 30, 2010	Sept 30, 2009	Dec 31, 2009
Fixed assets	131.7	117.8	130.9
Inventories	328.8	224.4	224.0
Accounts receivable and other receivables	570.4	414.7	461.6
Cash and cash equivalents	82.1	235.3	301.8
<b>Total</b>	<b>1,113.1</b>	<b>992.2</b>	<b>1,118.3</b>
Shareholders' equity	529.3	539.0	608.4
Long-term liabilities	78.3	57.0	61.7
Current liabilities	505.5	396.2	448.2
<b>Total</b>	<b>1,113.1</b>	<b>992.2</b>	<b>1,118.3</b>

## Key figures

	Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009	Full year 2009
Net sales growth (%)	29.7	4.6	25.3	11.4	16.5
Gross margin (%)	50.4	52.3	50.7	54.2	53.7
Operating margin (%)	16.4	16.7	14.1	11.4	13.4
Profit margin (%)	16.3	16.6	14.0	11.4	13.3
Depreciation/amortization (SEK M) *	41.4	38.0	41.4	38.0	38.7
Shareholders' equity (SEK M)	529	539	529	539	608
Capital employed (SEK M)	638	692	638	692	683
Interest-bearing liabilities (SEK M)	30	-	30	-	-
Net interest-bearing liabilities (SEK M)	-52	-235	-52	-235	-147
Net debt (SEK M) **	52	235	52	235	302
Total assets (SEK M)	1,113	992	1,113	992	1,118
Return on capital employed (%) *	62.1	40.7	62.1	40.7	54.0
Return on total capital *	36.8	25.6	36.8	25.6	31.2
Return on equity (SEK M) *	52.9	35.5	52.9	35.5	43.1
Net debt-to-equity ratio (times)	-0.1	-0.4	-0.1	-0.4	-0.2
Interest-coverage ratio (times) *	205.1	226.8	205.1	226.8	220.1
Equity/assets ratio (%)	47.6	54.3	47.6	54.3	54.4
Share of risk-bearing capital (%)	59.3	64.0	59.3	63.8	58.8
Capital turnover ratio (times)	1.1	3.7	1.1	3.7	4.0
Number of employees (average for the period)	872	777	828	760	764
Sales per employee (SEK M) *	3.1	2.8	3.3	2.8	3.0
Operating profit per employee (SEK M) *	0.5	0.3	0.5	0.3	0.4

\* The key figures have been recalculated to full-year values.

\*\* Refers to net interest-bearing receivables and liabilities.

## Per-share data

	Sept 30, 2010	Sept 30, 2009	Dec 31, 2009
Share price at end of period, SEK	97.50	73.75	83.75
Dividend, SEK	4.00	1.25	1.25
P/E multiple	23	29	27
Earnings per share before dilution, SEK	3.03	1.91	3.14
Earnings per share after dilution, SEK	3.02	1.91	3.14
Average number of shares before dilution, thousands	69,405	69,374	69,374
Average number of shares after dilution, thousands	69,440	69,420	69,423
Number of shares outstanding, thousands	69,418	69,374	69,376

## Quarterly data

Invoiced sales per product group (SEK M)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2007	2008	2008	2008	2008	2009	2009	2009	2009	2010	2010	2010
Video	439.8	409.5	472.9	522.4	480.4	509.7	531.3	558.1	645.8	633.1	665.0	722.1
Print	15.4	13.6	12.0	10.6	10.8	11.0	9.5	9.0	9.9	5.9	9.1	9.0
Scan	17.7	12.2	5.9	7.3	7.5	8.2	0.8	0.6	3.1	1.4	2.8	4.5
Other	5.7	2.3	3.0	2.8	1.7	2.7	0.6	0.3	0.0	2.2	1.4	1.2
<b>TOTAL</b>	<b>478.6</b>	<b>437.5</b>	<b>493.8</b>	<b>543.0</b>	<b>500.5</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>

Invoiced sales per region (SEK M)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2007	2008	2008	2008	2008	2009	2009	2009	2009	2010	2010	2010
EMEA	245.0	220.5	249.0	234.7	243.2	223.0	222.5	235.6	319.9	291.0	265.2	300.0
Americas	194.9	173.8	211.7	263.4	203.6	259.2	277.8	281.6	266.8	285.2	347.6	360.3
Asia	38.6	43.3	33.1	44.9	53.7	49.4	41.9	50.8	72.1	66.4	65.5	76.5
<b>TOTAL</b>	<b>478.6</b>	<b>437.5</b>	<b>493.8</b>	<b>543.0</b>	<b>500.5</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>

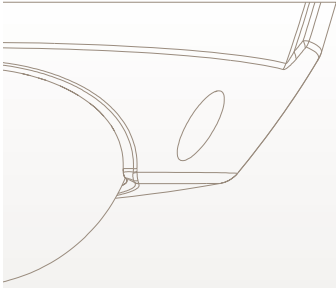
## Parent Company income statement

(SEK M)	Q1–Q3 2010	Q1–Q3 2009	Full year 2009
Net sales	5.7	7.6	10.9
Gross profit	5.7	7.6	10.9
Administrative costs	-7.6	-9.4	-14.3
Operating profit	-1.9	-1.8	-3.4
Result from participations in Group companies	-	-	306.4
Financial income	55.6	55.2	132.7
Financial expenses	-19.9	-75.0	-80.3
Pretax profit	33.8	-21.6	355.4
Change in tax allocation reserve	-	-	-76.2
Tax	-8.9	5.7	-76.6
Net profit for the period	24.9	-15.9	202.6

## Parent Company balance sheet

(SEK M)	Sept 30, 2010	Sept 30, 2009	Dec 31, 2009
Fixed assets	2.3	2.3	2.3
Receivables from Group companies	495.4	299.4	529.5
Accounts receivable and other receivables	2.0	1.1	0.6
Tax receivables	27.0	54.4	0.8
Cash and cash equivalents	0.0	70.6	146.9
<b>Total</b>	<b>526.7</b>	<b>427.8</b>	<b>680.1</b>
Shareholders' equity	141.1	173.1	391.7
Untaxed reserves	263.6	187.4	263.6
Tax liabilities	0.9	1.0	1.1
Current liabilities	121.1	66.3	23.7
<b>Total</b>	<b>526.7</b>	<b>427.8</b>	<b>680.1</b>





## Review report

We have reviewed this report for the period January 1 to September 30, 2010, for Axis AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim financial information based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements (SÖG) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as an opinion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Lund, October 15, 2010

Öhrlings PricewaterhouseCoopers AB

Bertil Johanson

*Authorised Public Accountant*

*Auditor in charge*

## Analyst & Press Conference

Axis will hold a teleconference for media and financial analysts today, October 15 at 10:00 a.m. A presentation is available on <http://www.axis.com/corporate/investor/index.php>

Time: Friday, October 15, at 10:00.a.m.

Phone number: +46 (0)8 50 52 01 14

Specify Axis Communications.

Or contact:

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