

Interim report, January–June 2008

Continued successful expansion



- Net sales during the first half-year amounted to SEK 931 M (748).
- Operating profit during the first half-year totaled SEK 160 M (161).
- Profit before tax for the first half-year amounted to SEK 160 M (161).
- Profit after tax for the first half-year totaled SEK 113 M (120).
- Earnings per share for the first half-year amounted to SEK 1,64 (1.73).

President's Comments

Axis' largest product area, Video reported sales of SEK 882 M during the first half-year, which translated in local currency, corresponds to growth of 37 percent.

The current financial turmoil has affected new investments and expansion plans of Axis' customers, which has resulted in a slower pace of growth on the network video market. Despite this the network video market is expected to grow in a fast phase. Axis goal and expansion plans remain unchanged.

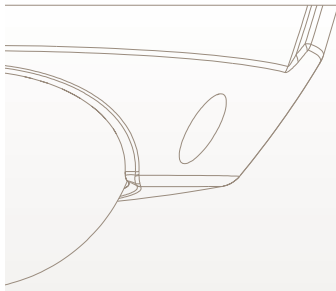
According to this Axis has during the second quarter opened a new sales office in Russia (Moscow). Two new sales offices were established after the close of the period, in Brazil (São Paulo) and China (Beijing), the latter strengthening the previously established offices in Shanghai and Hong Kong. The number of employees at the end of the period totaled 644, an increase of 80 during the first half-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 OMX Nordic Exchange, under the ticker AXIS. For more information about Axis, please visit our website at www.axis.com.





Sales

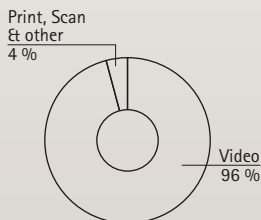
Net sales for the first half-year amounted to SEK 931 M (748), an increase of 24 percent compared with same period of the preceding year. Sales within the Video product area totaled SEK 882 M (677) during the first half-year, which corresponds to sales growth of 37 percent in local currency terms. Growth in Swedish Krona amounted to 28 percent. Exchange rate differences had a negative impact on sales of SEK 50 M during the period.

Net sales for the second quarter totaled SEK 494 M (410 M), which is an increase of 20 percent compared with same period of the preceding year. The Video product area reported sales of SEK 473 M (368) for the second quarter, which corresponds to growth of 37 percent in local currency terms. Growth in Swedish Krona amounted to 31 percent. Exchange rate differences had a negative impact on sales of SEK 34 M during the second quarter.

Sales in the Print product area totaled SEK 12 M (29) during the second quarter. The comparative figure includes the sale of a non-recurring license fee of approximately SEK 14 M (USD 2 M) to an OEM partner in Asia during Q2 of the preceding year.

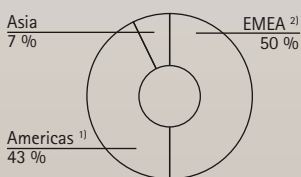
Sales in the Americas region amounted to 212 M (179) during the second quarter, which corresponds to growth of 36 percent in local currency terms. Growth in Swedish Krona amounted to 18 percent in local currency terms. Sales in the EMEA region amounted to SEK 249 M (182), corresponding to growth of 37 percent. The Asia region reported sales of 33 M (49). The negative growth can be attributed to the sale of a non-recurring license fee in Q2, 2007, among other factors.

Invoiced sales per product group, Q2 2008



Product area Video represents 96 % of Axis' sales.

Invoiced sales per region, Q2 2008



¹⁾ Incl. North, South and Central America

²⁾ Incl. Europe, the Middle East and Africa

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

Invoiced sales per product group, SEK M	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	Full year 2007	Q3 07-Q2 08 12 months
Video	472.9	368.2	882.4	677.3	1 529.8	1 735.0
Print	12.0	29.6	25.6	48.4	79.1	56.3
Scan	5.9	8.5	18.1	13.1	40.4	45.4
Other	3.0	4.0	5.3	9.7	21.9	17.5
TOTAL	493.8	410.3	931.4	748.5	1 671.3	1 854.2

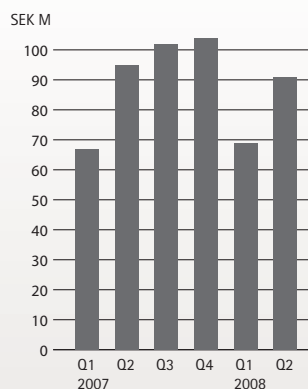
Invoiced sales per region, SEK M	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	Full year 2007	Q3 07-Q2 08 12 months
EMEA	249.0	181.7	469.5	343.0	800.3	926.8
Americas	211.7	179.3	385.5	321.2	714.3	778.6
Asia	33.1	49.3	76.4	84.3	156.7	148.9
TOTAL	493.8	410.3	931.4	748.5	1 671.3	1 854.2

Operating profit

The Group's operating profit for the first half-year amounted to SEK 160 M (161), which corresponds to an operating margin of 17,2 percent (21.5). The expenses have increased in connection with a continued high pace of staff recruitment, product development, marketing activities and continued development of the partnership program, among other things. The gross margin continued to be stable and amounted to 55,9 percent (55.7). Profit before tax amounted to SEK 160 M (161) and profit after tax amounted to SEK 113 M (120). Exchange rate differences affected operating profit negatively by approximately SEK 5 M.

Operating profit during the second quarter totaled SEK 92 M (95 M), which corresponds to an operating margin of 18,6 percent (23,1). Profit before tax was SEK 64 M (94). Profit after tax amounted to SEK 64 M (70). The gross margin continued to be stable and amounted to 56,2 (56,3) percent.

Operating profit / EBIT



Condensed income statement, SEK M	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	Full year 2007	Q3 07-Q2 08 12 months
Net sales	493.8	410.3	931.4	748.5	1 671.3	1854.2
Gross profit	277.6	230.8	520.2	417.0	923.4	1026.6
<i>Gross margin</i>	<i>56.2%</i>	<i>56.3%</i>	<i>55.9%</i>	<i>55.7%</i>	<i>55.2%</i>	<i>55.4%</i>
Operating profit	91.6	94.6	160.2	161.2	368.1	367.0
<i>Operating margin</i>	<i>18.6%</i>	<i>23.1%</i>	<i>17.2%</i>	<i>21.5%</i>	<i>22.0%</i>	<i>19.8%</i>
Pretax profit	91.6	94.4	159.7	160.8	367.4	366.3

Cash flow, investments and financial position

Cash flow from current operations totaled SEK 105 M. Net investments amounted to SEK 28 M. Capitalized development expenses totaled SEK 14 M during the period. Axis had SEK 143 M in cash and cash equivalents as well as unutilized credit facilities of SEK 200 M. Accordingly, the company had a total of SEK 343 M at its disposal at June 30, 2008.

Shareholders' equity

Consolidated shareholders' equity amounted to SEK 352 M. The total number of shares in the company at the end of the period was 69,373,700. After full exercise of outstanding warrants, the number of shares totaled 69,530,550. The Group's equity/assets ratio was 49,7 percent at June 30, 2008.

(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan. 1, 2008	0.7	275.0	13.7	262.0	551.5
Translation differences	-	-	1.3	-	1.3
Other adjustments	-	0.1	-	-	0.1
Dividend	-	-	-	-312.2	-312.2
Profit for the period	-	-	-	113.4	113.4
Closing balance at March 31, 2008	0.7	275.1	15.0	63.2	354.1

Post balance sheet events

After the close of the period, the company announced that two new sales offices were established in Brazil (São Paulo) and China (Beijing).

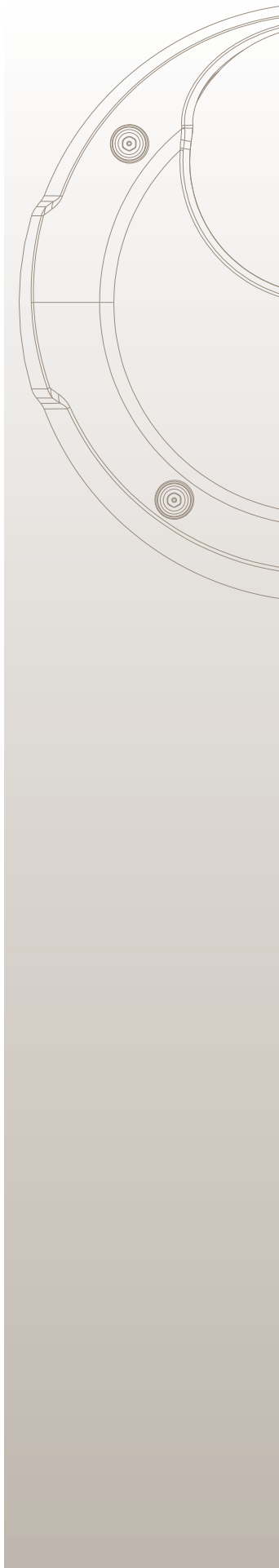
Significant events during the period April-June

Products announced featuring the H.264 compression standard

On April 2, Axis announced a new generation of network video products built upon the in-house developed ARTPEC-3 chip. ARTPEC-3 incorporates the compression standard H.264 which means that more information can be sent and stored with maintained or enhanced image quality. Axis' announced network video products, network cameras, video encoders and the software Axis Camera Station, have generated great interest at security fairs, such as ISC West in the US and IFSEC in England. The products are expected to be available on the market during the second half-year.

Cooperation with Bosch and Sony about new standard

Axis, Bosch Security Systems and Sony Corporation announced in the middle of May that the companies have initiated cooperation in order to create an open forum for development



of a standard for the interface of network video products. The new standard will increase the compatibility between different manufacturers' products, which will increase freedom and flexibility for end-users and system integrators when choosing equipment.

IMS predicts slower growth

During the first half-year, interest for Axis' network video products continued to be strong with a good inflow of new projects. However, the general financial turmoil has affected new investments and expansion plans in certain sectors which has also impacted growth in the network video market negatively. The market analysis institute, IMS Research announced during the period that they expect slower growth on account of the weak American economy. IMS estimation is that network video products will grow by at least 30 percent in the US, compared to earlier announced 40 percent.

Expansion in Russia

Axis announced that the company opened a new sales office in Moscow at the end of the period. There is great interest in network video in the region and by establishing a local office, Axis is strengthening its presence on a market with good development potential. The company also announced that the Moscow Metro extended the existing installation which includes Axis' network video products, meaning that more than 3,000 Axis' products are now installed on trains in the Moscow Metro. The project has the potential for additional installations.

Considerable interest for training in network video

An important factor of success for Axis is partner cooperation with sales channels as well as development partners (Application Development Partners, ADP). At the end of the six month period, Axis had approximately 21,000 registered sales channel partners and over 550 ADP's. As interest in network video is steadily increasing, continual training of partners is ongoing within the Axis Academy training program. During the first half-year, 2,200 partners participated in the training.

Outlook for second half of 2008

The current financial turmoil has meant in some cases that decisions on security installations have been deferred, which in turn has affected the pace of the technology shift from analog to digital technology. Despite this the network video market is expected to grow in a fast phase. Axis' network video products receive considerable interest on the market and the inflow of new projects is good, which means that the market outlook for the second half of 2008 is still considered to be favorable.

The company's goals and expansion plans remain unchanged. Axis' objective is to maintain and strengthen its position as the market-leading supplier of network video solutions. In order to reach the objective and meet the increasing competition, Axis will continue to pursue its focused strategy. This entails the introduction of innovative network video products, advancement of partnerships, geographical expansion and recruitment, among others strategies.

The Axis share

The company's share is listed on the OMX Nordic Exchange, Stockholm AB. Since July 1 2008, Axis can be found on the Mid Cap segment, under the ticker AXIS. Share trading during the period January 1 through June 30, 2008 averaged SEK 31 M per day. On average, 289,038 shares per day were traded during the same period. The average share price during the period was SEK 108. The total number of shares in the company at the end of the period was 69,373,700.

Accounting principles

This half-year report was prepared in accordance with IAS 34 Interim Financial Reporting. For information on the accounting principles applied, see the Annual Report for 2007. The accounting principles are unchanged, compared with those applied in 2007.

Risks and uncertainties

Axis' operations are subject to a number of risks and uncertainties, which are described in the 2007 Annual Report. As of June 30, 2008, it is our assessment that no new significant risks or uncertainties have arisen.

The Parent Company

The Parent Company's operations focus primarily on Group-wide administration. The Parent Company has no employees. Sales totaled SEK 10 M (6). Operating profit amounted to SEK -1 M (-1). Cash and cash equivalents totaled SEK 0 M (74) and borrowing was SEK 0 M (0). No investments have taken place during the interim period.

Reporting dates

The interim report for the third quarter 2008 (January 1, 2008 – September 30, 2008) will be presented on October 17, 2008. Axis AB's year-end report will be presented on January 31, 2009.

The semi-annual report provides a true and fair picture of the income statement and balance sheet and the explaining notes gives a true and fair view of the company's position and result. In addition to this, the information in the semi-annual report gives a true and fair overview of the company's operations and position.

Lund, July 8, 2008

Ray Mauritsson
President

Lars-Erik Nilsson
Chairman of the Board

Martin Gren

Charlotta Falvin

Olle Isberg

Göran Jansson

Consolidated income statement

(SEK M)	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	Full year 2007	Q3 07-Q2 08 12 months
Net sales	493.8	410.3	931.4	748.5	1671.3	1854.2
Cost of sold products and services	-216.2	-179.5	-411.2	-331.5	-747.9	-827.6
Gross profit	277.6	230.8	520.2	417.0	923.4	1026.6
Other revenues and changes in value	3.6	-1.7	7.4	4.2	7.2	10.4
Selling and marketing costs	-101.3	-76.1	-195.8	-142.2	-307.5	-361.1
Administrative costs	-20.8	-13.9	-40.7	-30.2	-61.7	-72.1
Research and development costs	-67.4	-44.6	-130.9	-87.6	-193.4	-236.7
Operating profit *	91.6	94.6	160.2	161.2	368.1	367.1
Financial expenses	-0.1	-0.2	-0.4	-0.4	-0.7	-0.7
Pretax profit	91.6	94.4	159.7	160.8	367.4	366.3
Tax	-27.3	-24.0	-46.3	-40.9	-108.6	-114
Net profit for the period	64.3	70.4	113.4	119.9	258.8	252.4
Earnings per share before dilution, SEK	0.93	1.02	1.64	1.73	3.73	3.64
Earnings per share after dilution, SEK	0.93	1.02	1.63	1.73	3.73	3.63
Average number of shares before dilution, thousands	69 360	69 228	69 360	69 228	69 315	69 360
Average number of shares after dilution, thousands	69 465	69 379	69 465	69 379	69 426	69 465

* The net effect of hedging and change in currency against underlying receivables and liabilities in foreign currency has not significantly affected earnings.

Cash-flow statement

(SEK M)	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	Full year 2007	Q3 07-Q2 08 12 months
Cash flow from operating activities before change in working capital	76.1	87.4	131.3	128.8	308.3	310.8
Change in working capital	0.8	-24.5	-26.8	-36.4	-5.6	4.0
Cash flow from operating activities	76.9	62.8	104.5	92.4	302.7	314.8
Cash flow from investment activities	-13.0	-8.0	-27.9	-15.5	-27.6	-39.9
Cash flow from financing activities	-317.7	-207.3	-317.8	-206.7	-204.5	-315.7
Cash flow for the period	-253.8	-152.5	-241.2	-129.8	70.7	-40.8
Cash and cash equivalents, beginning of period	396.7	336.2	384.1	313.5	313.5	183.7
Cash and cash equivalents, end of period	142.9	183.7	142.9	183.7	384.1	142.9

Consolidated balance sheet

(SEK M)	June 30, 2008	June 30, 2007	Dec 31, 2007
Fixed assets	97.7	91.9	91.0
Inventories	171.6	152.5	166.1
Accounts receivable and other receivables	298.7	255.0	273.2
Cash and cash equivalents	142.9	183.7	384.1
Total	710.8	683.1	914.4
Shareholders' equity	354.1	411.7	551.5
Long-term liabilities	5.8	7.7	40.1
Current liabilities	350.9	263.7	322.8
Total	710.8	683.1	914.4

Key figures

	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	Full year 2007
Net sales growth (%)	20.4	44.9	24.4	38.6	39.0
Gross margin (%)	56.2	56.3	55.9	55.7	55.2
Operating margin (%)	18.6	23.1	17.2	21.5	22.0
Profit margin (%)	18.5	23.0	17.2	21.5	22.0
Depreciation/amortization (SEK M) *	34	20	34	20	22
Shareholders' equity (SEK M)	354	412	354	412	551
Capital employed (SEK M)	439	419	439	419	592
Interest-bearing liabilities (SEK 000s)	0	6	0	6	6
Net interest-bearing liabilities (SEK 000s)	-143	-184	-143	-184	-390
Total assets (SEK M)	711	683	711	683	913
Return on capital employed (%) *	71.2	64.8	71.2	64.8	66.4
Return on total capital *	45.2	41.2	45.2	41.2	43.2
Return on equity (SEK M) *	58.3	47.7	58.3	47.7	50.3
Interest-coverage ratio (times) *	503.5	342.5	503.5	342.5	517.0
Net debt/equity ratio (times)	-0.4	-0.4	-0.4	-0.6	-0.7
Equity/assets ratio (%)	49.8	60.3	49.8	60.3	60.4
Share of risk-bearing capital (%)	61.0	67.4	61.0	67.4	63.5
Capital turnover ratio (times)	3.6	3.5	3.6	3.2	3.0
Number of employees (average for the period)	636	494	613	481	507
Sales per employee (SEK M)	2.9	2.9	3.0	2.9	3.3
Operating profit per employee (SEK M)	0.6	0.6	0.6	0.6	0.7

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

Per-share data

	June 30, 2008	June 30, 2007	Dec 31, 2007
Share price at end of period, SEK	74.75	153.00	159.00
Dividend, SEK	4.50	3.00	3.00
P/E multiple	23	44	43
Earnings per share before dilution, SEK	1.64	1.73	3.73
Earnings per share after dilution, SEK	1.63	1.73	3.73
Average number of shares before dilution, thousands	69 360	69 228	69 315
Average number of shares after dilution, thousands	69 465	69 379	69 426
Number of shares outstanding (thousand)	69 374	69 298	69 372

Quarterly data

Invoiced sales per product group (SEK 000s)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2005	2006	2006	2006	2006	2007	2007	2007	2007	2008	2008
Video	220.8	219.6	249.3	268.7	324.1	309.2	368.2	412.7	439.8	409.5	472.9
Print	30.4	27.9	24.2	20.9	22.3	18.7	29.6	15.3	15.4	13.6	12.0
Scan	4.3	4.1	6.2	6.9	9.7	4.6	8.5	9.6	17.7	12.2	5.9
Other	4.0	5.5	3.4	4.8	4.9	5.7	4.0	6.5	5.7	2.3	3.0
TOTAL	259.4	257.1	283.1	301.3	361.0	338.2	410.3	444.2	478.6	437.5	493.8

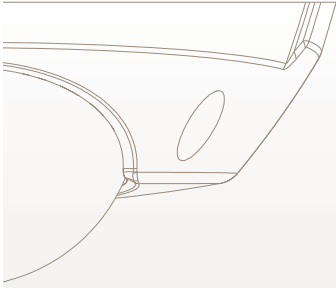
Invoiced sales per region (SEK 000s)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2005	2006	2006	2006	2006	2007	2007	2007	2007	2008	2008
EMEA	129.2	115.9	134.4	139.5	191.6	161.3	181.7	212.3	245.0	220.5	249.0
Americas	99.7	108.6	117.2	129.4	129.9	141.9	179.3	198.2	194.9	173.8	211.7
Asia	30.6	32.6	31.4	32.4	39.5	35.0	49.3	33.8	38.6	43.3	33.1
TOTAL	259.4	257.1	283.1	301.3	361.0	338.2	410.3	444.2	478.6	437.5	493.8

Parent Company income statement

(SEK M)	Q1-Q2 2008	Q1-Q2 2007	Full year 2007
Net sales	10.3	6.0	13.9
Gross profit	10.3	6.0	13.9
Administrative costs	-11.3	-6.9	-16.6
Operating profit	-1.0	-0.8	-2.7
Result from participations in Group companies	-	-	318.0
Financial income	46.1	8.2	30.8
Financial expenses	-4.1	-5.0	-22.9
Profit before tax	41.0	2.4	323.2
Change in tax allocation reserve	-	-	-84.7
Tax	-11.5	-0.7	-67.9
Net profit	29.5	1.7	170.6

Parent Company balance sheet

(SEK M)	June, 30 2008	June, 30 2007	Dec 31, 2007
Fixed assets	2.3	2.3	2.3
Receivables from Group companies	315.0	231.4	631.6
Accounts receivable and other receivables	1.3	1.1	0.4
Tax receivables	12.0	11.7	1.7
Cash and cash equivalents	0.0	74.2	296.7
Total	330.6	320.7	932.7
Shareholders' equity	181.9	294.0	470.9
Untaxed reserves	108.9	24.1	108.9
Tax liabilities	0.7	-	322.8
Current liabilities	39.1	2.6	30.2
Total	330.6	320.7	932.7



Review report

We have reviewed this report for the period January 1 to June 30, 2008 for Axis AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report 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 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 assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, 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, July 8, 2008

Öhrlings PricewaterhouseCoopers AB

Bertil Johanson

Authorised Public Accountant

Auditor in charge

For more information

Axis will hold a teleconference for media and financial analysts today, July 8 at 10.a.m.

A presentation is available on <http://www.axis.com/corporate/investor/index.php>

Time: Tuesday, July 8 at 10 a.m.

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Margareta Lantz

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