Interim report
January – September 2016

Third quarter

- Net sales increased by 5 percent during the third quarter to SEK 1,997 M (1,906). Net sales increased by 5 percent in local currencies
- Operating profit amounted to SEK 312 M (389), which corresponds to an operating margin of 15.6 percent (20.4)
- Profit after tax amounted to SEK 233 M (289)
- Earnings per share amounted to SEK 3.35 (4.16)

January – September

- Net sales increased by 9 percent during the period to SEK 5,327 M (4,876). Net sales increased by 10 percent in local currencies
- Operating profit amounted to SEK 632 M (650), which corresponds to an operating margin of 11.9 percent (13.3)
- Profit after tax amounted to SEK 470 M (476)
- Earnings per share amounted to SEK 6.76 (6.85)

President's comments

After a strong first half of 2016, the growth rate and level of activity was slightly weaker during the third quarter. However, we displayed a good performance due to seasonally lower costs.

During the third quarter, we introduced new technology, which delivers better focus and image quality and broadened our offering, for example, to also include network loudspeakers. This demonstrates the continued high innovation rate in the company and that we are continuing to develop a broader offering with a greater focus on overall customer solutions.

On September 1 in EMEA and on October 1 in North America, Axis assumed responsibility for sales, marketing and service of Canon's network video products. The network camera market continues to show great potential. We are now able to offer a wider range of products and solutions to our customers.

Finally, it is positive to see the strong performance of the companies we acquired during the first half of 2016, and how they are contributing to Axis' offering. 2N is continuing to show growth and is strengthening its market-leading position in the IP intercom field. Citilog and Axis are conducting several joint projects in traffic monitoring. We also see how Cognimatics' applications are well suited to Axis' offering in the retail sector.

Ray Mauritsson
President

AXIS® COMMUNICATIONS

Events during the third quarter

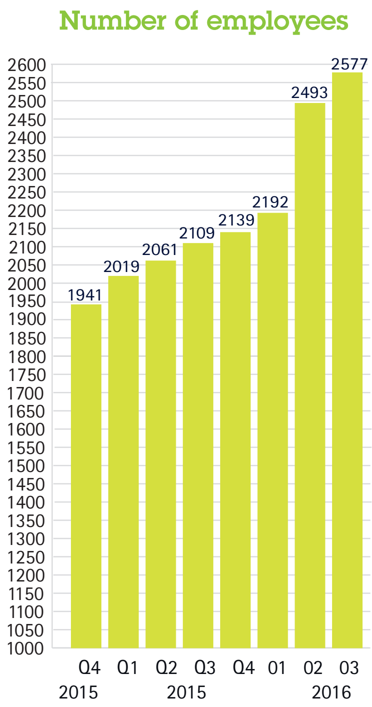
Axis assumes responsibility for Canon's sales of network video products

On September 1, Axis and Canon announced an agreement, which means that Axis is assuming responsibility for sales, marketing and service of Canon's entire network video product portfolio in North America and EMEA. The change means that Canon's partners and customers will benefit from Axis' technical expertise in marketing, sales and service, while Axis' partners and customers will gain access to a wider range of products and solutions.

New products and solutions in new areas

The third quarter was dominated by continued innovation. As part of the diversification of Axis' offering, in September the company unveiled two network loudspeaker models – AXIS C1004-E Network Cabinet Speaker and AXIS C2005 Network Ceiling Speaker. The speakers mainly target the retail segment and function as a complete audio system, which may be used, for example, to stream background music and to make in-store announcements including playback functionality.

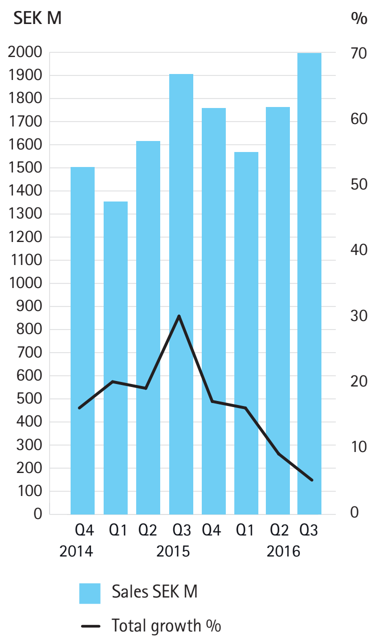
On the camera side, Axis introduced laser focus technology for PTZ cameras (Pan-Tilt-Zoom), among other innovations. The background is that conventional PTZ cameras may take longer to autofocus when lighting conditions are challenging. A built-in laser measures the distance between the camera and the object of interest. This allows the camera to focus much faster and with greater accuracy, providing much better image quality. Another example during the third quarter is the AXIS Q1659, which is the result of technological collaboration between Axis and Canon. By combining Canon's EF/EF-S lenses with Axis' technology, a new image quality standard has been set for network cameras.



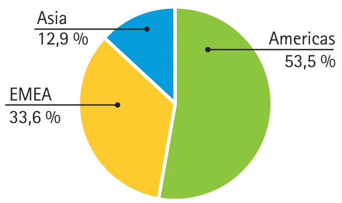
20-year anniversary of the first network camera

In September 1996, Axis introduced the world's first network camera and thus laid the foundation for what would become a technology shift – the transition from analog to IP-based video surveillance. AXIS 200 was the world's first network video camera to connect directly to the Internet or an Intranet, which was an extension of Axis' original focus on connecting printers to networks. Today Axis offers more than 200 network camera models, and has also broadened its offering with additional IP-based solutions, for example sound systems.

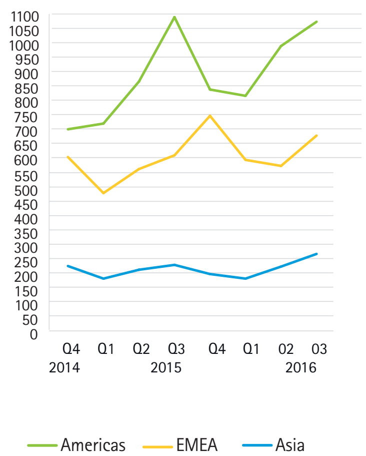
Sales



Invoicing per region, Q3 2016



Sales per region, SEK M



Comments on the income statement and balance sheet

Net sales

Third quarter

Net sales for the third quarter amounted to SEK 1,997 M (1,906), which was an increase of 5 percent. Growth was 5 percent in local currencies. Foreign currency effects impacted sales positively by SEK 5 M.

Sales in the EMEA region amounted to SEK 671 M (602) during the third quarter, corresponding to growth of 11 percent. Growth was 12 percent in local currency. The EMEA region displayed a stable performance with the exception of the Middle East, which is being negatively impacted by financial turbulence and investment constraints.

Sales in the Americas region amounted to SEK 1,069 M (1,085) during the third quarter, corresponding to growth of -1 percent. Growth was -1 percent in local currency. The American market performed strongly during the first half of 2016. However, the third quarter showed a slightly weaker performance.

Sales in the Asia region amounted to SEK 257 M (219) during the third quarter, corresponding to growth of 18 percent. Growth was 14 percent in local currency. Axis is continuing to strengthen its local presence in the region and is participating in several large projects, including in the city surveillance field.

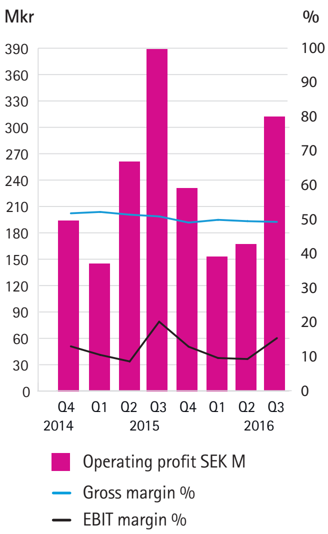
January – September

Net sales during the period January - September amounted to SEK 5,327 M (4,876), an increase of 9 percent in Swedish kronor and 10 percent in local currency. Foreign currency effects impacted sales negatively during the period by SEK 15 M.

Invoiced sales per product group (SEK M)	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Full-year 2015	Q4 15–Q3 16 12 months
Video	1,864.1	1,885.5	5,125.9	4,840.6	6,579.4	6,864.7
Other	133.1	20.2	201.0	35.7	55.3	220.6
TOTAL	1,997.2	1,905.7	5,326.9	4,876.3	6,634.7	7,085.3

Invoiced sales per region (SEK M)	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Full-year 2015	Q4 15–Q3 16 12 months
EMEA	671.0	602.2	1,821.9	1,626.8	2,366.3	2,561.4
Americas	1,068.9	1,084.8	2,863.0	2,657.7	3,489.7	3,695.0
Asia	257.3	218.7	642.0	591.8	778.7	828.9
TOTAL	1,997.2	1,905.7	5,326.9	4,876.3	6,634.7	7,085.3

Operating profit



Earnings

Third quarter

Operating profit during the third quarter amounted to SEK 312 M (389), which corresponds to an operating margin of 15.6 percent (20.4). Operating margin was lower than the year-earlier period, but was still relatively strong. This was due to seasonally lower costs. Gross margin during the quarter amounted to 49.5 percent (51.1). Profit before tax was SEK 312 M (389). Profit after tax amounted to SEK 233 M (289). Exchange rate fluctuations impacted operating profit positively by SEK 29 M, compared to the year-earlier period.

January – September

The group's operating profit during the period amounted to SEK 632 M (650), which is equivalent to an operating margin of 11.9 percent (13.3). Gross margin amounted to 49.8 percent (51.4). Profit before tax was SEK 631 M (649) and profit after tax was SEK 470 M (476). Exchange rate fluctuations impacted operating profit positively by SEK 40 M, compared to the previous year.

Condensed income statement (SEK M)	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Full-year 2015	Q4 15–Q3 16 12 months
Net sales	1,997.2	1,905.7	5,326.9	4,876.3	6,634.7	7,085.3
Gross profit	989.4	973.6	2,650.9	2,505.4	3,372.5	3,518.0
Gross margin (%)	*49.5*	*51.1*	*49.8*	*51.4*	*50.8*	*49.7*
Operating profit	312.2	388.7	632.1	650.0	881.2	863.3
Operating margin (%)	*15.6*	*20.4*	*11.9*	*13.3*	*13.3*	*12.2*
Profit before tax	312.0	388.7	631.4	649.4	880.5	862.5

Cash flow, investments and financial position

Cash flow from operating activities for the period January - September amounted to SEK 460 M (513). Net investments totaled SEK 756 M (132), of which acquisitions amounted to SEK 600 M (0) and capitalized development costs amounted to SEK 58 M (61). Axis had SEK 673 M (774) in cash and cash equivalents at the end of the period, as well as unutilized credit facilities of SEK 50 M (50). Accordingly, the company had a total of SEK 723 M (824) at its disposal at September 30, 2016.

Equity

Consolidated equity amounted to SEK 2,188 M (1,572). The total number of shares at year-end was 69,461,250 (69,461,250). Axis has no outstanding stock option programs. The group's equity/assets ratio was 58.0 percent (56.4) at September 30, 2016.

Consolidated equity, condensed (SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan 1, 2015	0.7	279.2	-15.6	832.8	1,097.1
Total comprehensive income for the period	-	-	20.4	475.9	496.3
Dividend	-	-	-	-21.5	-21.5
Closing balance at Sept 30, 2015	0.7	279.2	4.8	1,287.2	1,571.9
Opening balance at Jan 1, 2016	0.7	279.2	-1.8	1,463.4	1,741.5
Total comprehensive income for the period	-	-	21.7	469.6	491.3
Dividend	-	-	-	-44.5	-44.5
Closing balance at Sept 30, 2016	0.7	279.2	19.9	1,888.5	2,188.3

Parent Company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. During the period, sales amounted to SEK 86 M (82) and operating profit amounted to SEK 47 M (-17). Cash and cash equivalents at the end of the period amounted to SEK 123 M (312) and borrowing was SEK 0 M (0). Investments in the parent company amounted to SEK 68 M (0) during the period.

Outlook

The market activity and inflow of new projects means that Axis' view on the current market growth rate remains unchanged. An important factor for continued strong growth is increased penetration in installations for smaller systems and in emerging markets. In order to meet market demand and retain its position as the market-leading supplier of network video solutions, Axis will continue to develop and release a large number of innovative products, refine the partner network, recruit more employees and continue to expand globally.

Other

Risks and uncertainties

Axis' operations are subject to a number of risks and uncertainties, which are described in the 2015 Annual Report. No new material risks have arisen during 2016.

Accounting policies

The consolidated financial statements in this interim report have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting and valuation principles and judgment criteria applied in the 2015 Annual Report have also been used in preparing this interim report. No new or revised IFRS standards, which became effective in 2016, have had any material impact on the group.

Annual General Meeting

Axis' Annual General Meeting will be held on Thursday, April 20, 2017 at the company's premises at Edison Park, Emdalavägen 14, Lund at 3.00 p.m.

The Axis share

The company's share is listed on Nasdaq Stockholm in the Large Cap segment, under the ticker AXIS. Axis' share had a turnover of 1,384,026 shares during the period January - September 2016, which gave an average turnover of 7,362 shares per trading day, to a value of SEK 2,501,140. The average price of the share during the period was SEK 350.

Reporting dates

Axis will report on the following dates during the 2017 fiscal year:
Year-end report: January 27
Interim report, January - March: April 21
Interim report, January - June: July 12
Interim report, January - September: October 20

Lund, October 20, 2016

Ray Mauritsson
President

Review report

Axis AB (publ), corporate identity number 556241-1065

To the Board of Directors of Axis AB (publ)

Introduction

We have reviewed the condensed interim financial information (Interim report) of Axis AB (publ) as of September 30, 2016 and the nine-month period that ends on this date. The board of directors and the president 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 a conclusion on this interim report based on our review.

The focus and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of the interim report 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 International Standards on Auditing (ISA) 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. Accordingly, the conclusion expressed based on a review does not constitute the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report, in all material respects, is not prepared for the Group in compliance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in compliance with the Swedish Annual Accounts Act.

Other information

The review of the interim report as of September 30, 2015 was performed by another auditor who submitted a review report dated October 15, 2015 with an unchanged conclusion.

Malmö, October 20, 2016
Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Consolidated comprehensive income

(SEK M)	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Full-year 2015	Q4 15–Q3 16 12 months
Net sales	1,997.2	1,905.7	5,326.9	4,876.3	6,634.7	7,085.3
Cost of goods and services sold	-1,007.8	-932.1	-2,676.0	-2,370.9	-3,262.2	-3,567.3
Gross profit	**989.4**	**973.6**	**2,650.9**	**2,505.4**	**3,372.5**	**3,518.0**
Other income and changes in value	15.0	-26.2	46.0	-25.8	-32.6	39.2
Selling and marketing expenses	-335.2	-280.9	-971.1	-875.2	-1,180.8	-1,276.7
Administrative expenses	-65.1	-52.5	-213.3	-230.4	-292.2	-275.1
Research and development expenses	-291.9	-225.3	-880.4	-724.0	-985.7	-1,142.1
Operating profit *	**312.2**	**388.7**	**632.1**	**650.0**	**881.2**	**863.3**
Net financial items	-0.2	0.0	-0.7	-0.6	-0.7	-0.8
Profit before tax	**312.0**	**388.7**	**631.4**	**649.4**	**880.5**	**862.5**
Tax	-79.1	-99.5	-161.8	-173.5	-228.4	-216.7
Net profit for the period	**232.9**	**289.2**	**469.6**	**475.9**	**652.1**	**645.8**
Other comprehensive income						
Other comprehensive income items that later may be transferred to the income statement						
Exchange differences	13.4	10.9	21.7	20.4	13.8	15.1
Other comprehensive income for the period, net after tax	**13.4**	**10.9**	**21.7**	**20.4**	**13.8**	**15.1**
Total comprehensive income for the period	**246.3**	**300.1**	**491.3**	**496.3**	**665.9**	**660.9**
Total comprehensive income attributable to:						
the parent company's shareholders	246.3	300.1	491.3	496.3	665.9	660.9
Earnings per share for the period, SEK	3.35	4.16	6.76	6.85	9.39	9.30
Number of shares, average, thousands	69,461	69,461	69,461	69,461	69,461	69,461

*Net effects of changes in exchange rates in underlying receivables and liabilities in foreign currencies have impacted operating profit positively by SEK 14 M (negatively by SEK 26 M) in the third quarter and positively by SEK 44 M (negatively by SEK 25 M) during the period January - September.

Consolidated statement of cash flows, condensed

(SEK M)	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Full-year 2015	Q4 15–Q3 16 12 months
Cash flow from operating activities before change in working capital	292.9	399.6	510.4	621.0	860.1	749.5
Change in working capital	-76.0	-253.3	-50.5	-108.5	-56.9	1.1
Cash flow from operating activities	216.9	146.3	459.9	512.5	803.2	750.6
Cash flow from investing activities	-68.0	-39.8	-755.6	-132.0	-180.5	-804.1
Cash flow from financing activities	-0.4	0.0	-46.9	-21.5	-21.5	-46.9
Cash flow during the period	**148.5**	**106.5**	**-342.6**	**359.0**	**601.2**	**-100.4**
Cash and cash equivalents at the start of the period	524.7	667.1	1,015.8	414.6	414.6	773.6
Cash and cash equivalents at the end of the period	673.2	773.6	673.2	773.6	1,015.8	673.2

Consolidated balance sheet, condensed

(SEK M)	2016-09-30	2015-09-30	2015-12-31
Non-current assets*	1,119.3	429.8	452.9
Inventories	1,119.8	875.9	1,022.2
Trade receivables**	643.2	592.7	423.0
Others receivables	216.0	117.4	124.4
Cash and cash equivalents	673.2	773.6	1,015.8
Total	**3,771.5**	**2,789.4**	**3,038.3**
Equity	2,188.3	1,571.9	1,741.5
Non-current liabilities*	317.6	229.5	282.2
Trade payables	614.0	486.5	532.9
Other current liabilities	651.6	501.5	481.7
Total	**3,771.5**	**2,789.4**	**3,038.3**

*Deferred tax has been reclassified from non-current liabilities to non-current assets by SEK 35 M as of September 30, 2015 and by SEK 39 M as of December 31, 2015.
**This item includes receivables from contract manufacturers of SEK 7 M (September 30, 2015: SEK 5 M; December 31, 2015: SEK 6 M).

Key ratios (see note 2)

	Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Full-year 2015
Net sales growth (%)	*4.8*	*30.3*	*9.2*	*23.6*	*21.7*
Gross margin (%)	*49.5*	*51.1*	*49.8*	*51.4*	*50.8*
Operating margin (%)	*15.6*	*20.4*	*11.9*	*13.3*	*13.3*
Profit margin (%)	*15.6*	*20.4*	*11.9*	*13.3*	*13.3*
Depreciation/amortization (SEK M)*	120	99	120	99	104
Equity (SEK M)	2,188	1,572	2,188	1,572	1,742
Equity/assets ratio (%)	58.0	56.4	58.0	56.4	57.3
Total assets (SEK M) **	3,772	2,789	3,772	2,789	3,038
Interest-bearing liabilities (SEK M)	3	0	3	0	0
Net receivables, (SEK M)	670	774	670	774	1,016
Capital employed (SEK M)	*2,192*	*1,572*	*2,192*	*1,572*	*1,742*
*Return on capital employed (%)**	*43.9*	*64.0*	*43.9*	*64.0*	*62.1*
*Return on equity (%)**	*34.2*	*49.8*	*34.2*	*49.8*	*48.4*
Number of employees (average for the period)	2,545	2,082	2,342	2,040	2,065
Sales per employee (SEK M)*	2.8	3.1	3.0	3.1	3.2
Operating profit per employee (SEK M)*	0.3	0.4	0.4	0.4	0.4

*Key ratios have been recalculated to rolling 12-month values where appropriate.
**Comparative figures for total assets have been adjusted due to a reclassification of deferred tax. This has meant that some other key ratios, for example the equity/assets ratio, have been adjusted for the comparative periods.

Per-share data

	2016-09-30	2015-09-30	2015-12-31
Share price at end of the period, SEK	384.90	345.70	343.40
Dividend, SEK	0.64	0.31	0.31
P/E ratio*	41	38	37
Earnings per share, SEK	6.76	6.85	9.39
Number of shares, average, thousands	69,461	69,461	69,461
Number of outstanding shares, thousands	69,461	69,461	69,461

*The PE ratio has been recalculated to rolling 12-month values.

Quarterly data

Invoiced sales per product group (SEK M)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Video	1,864.1	1,714.9	1,546.9	1,738.8	1,885.5	1,607.6	1,347.5	1,496.2	1,458.3	1,354.0	1,121.2	1,296.6
Other	133.1	47.8	20.1	19.6	20.2	8.7	6.8	7.6	3.8	0.7	7.9	1.9
TOTAL	1,997.2	1,762.7	1,567.0	1,758.4	1,905.7	1,616.3	1,354.3	1,503.8	1,462.1	1,354.7	1129.1	1,298.5

Invoiced sales per region (SEK M)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
EMEA	671.0	565.2	585.7	739.5	602.2	554.2	470.4	596.1	522.9	478.7	401.5	537.1
Americas	1,068.9	984.1	810.0	832.0	1,084.8	859.9	713.0	692.7	758.2	700.4	591.4	580.0
Asia	257.3	213.4	171.3	186.9	218.7	202.2	170.9	215.0	181.0	175.6	136.2	181.4
TOTAL	1,997.2	1,762.7	1,567.0	1,758.4	1,905.7	1,616.3	1,354.3	1,503.8	1,462.1	1,354.7	1,129.1	1,298.5

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net sales growth (%)	4.8	9.1	15.7	16.9	30.3	19.3	19.9	15.8	10.6	21.6	15.0	10.1
Gross profit (SEK M)	989.4	876.0	785.5	867.1	973.6	821.7	710.1	784.4	760.9	706.9	569.8	660.6
Gross margin (%)	49.5	49.7	50.1	49.3	51.1	50.8	52.4	52.2	52.0	52.2	50.5	50.9
Operating profit (SEK M)	312.2	166.8	153.1	231.2	388.7	116.5	144.8	199.2	256.5	187.6	72.1	166.0
Operating margin (%)	15.6	9.5	9.8	13.1	20.4	7.2	10.7	13.2	17.5	13.8	6.4	12.8

Parent company income statement

(SEK M)	Q1-Q3 2016	Q1-Q3 2015	Full-year 2015
Net sales	85.5	81.5	108.3
Gross profit	**85.5**	**81.5**	**108.3**
Administrative expenses	-38.9	-98.6	-110.2
Operating profit	**46.6**	**-17.1**	**-1.9**
Financial income	0.5	4.3	0.5
Financial expenses	-11.2	-1.0	-3.2
Profit before tax	**35.9**	**-13.8**	**-4.6**
Appropriations	-	-	614.4
Tax	-7.9	-	-135.1
Net profit for the period	**28.0**	**-13.8**	**474.7**

Parent company balance sheet, condensed

(SEK M)	2016-09-30	2015-09-30	2015-12-31
Non-current assets	72.1	6.1	5.5
Current receivables from group companies	1,448.3	641.6	1,168.8
Trade receivables and other receivables	1.7	4.1	2.3
Tax assets	74.2	76.2	0.0
Cash and cash equivalents	123.2	311.6	578.2
Total	**1,719.5**	**1,039.6**	**1,754.8**
Equity	860.2	388.1	876.6
Untaxed reserves	843.5	637.9	843.5
Liabilities to group companies	0.9	0.8	1.0
Current liabilities	14.9	12.8	33.7
Total	**1,719.5**	**1,039.6**	**1,754.8**

NOTE 1 Acquisitions

The significant business acquisitions completed by the group during the year are shown below.

1.1 Citilog SA

On January 31, 2016, Axis Communications AB acquired 100 percent of the shares in Citilog SA, a leading provider of video monitoring solutions for the transportation sector. The acquisition broadens Axis' product portfolio with reliable video analytics tools for transportation monitoring. The group can thus offer a more comprehensive traffic solution, generating increased opportunities in the fast-growing traffic analytics market.

At the time of the acquisition, Citilog had 29 employees. For the fiscal year ended on March 31, 2016, Citilog's sales amounted to about SEK 50 M.

Citilog's results and assets and liabilities are consolidated from January 31, 2016. The acquisition impacted consolidated sales by SEK 39 M and operating profit by SEK 3 M during 2016. Expenses in connection with the acquisition of SEK 3.9 M were charged to earnings during 2016.

The purchase price amounted to SEK 91.1 M and was paid in cash. The goodwill arising through the acquisition is related to Citilog's strong position in the market. No portion of the acquired goodwill is expected to be deductible for tax purposes.

Purchase price analysis	SEK M
Impact on cash and cash equivalents	
Purchase price	91.1
Less: acquired cash balances	-28.0
Impact on cash and cash equivalents	**63.1**
Fair value of identifiable assets and liabilities in Citilog on the acquisition date	
Non-current assets	49.3
Inventories	4.1
Trade receivables	16.4
Other receivables	4.0
Cash and cash equivalents	28.0
Total assets	**101.8**
Non-current liabilities	15.3
Trade payables	3.9
Other current liabilities	8.3
Total liabilities	**27.5**
Total identifiable net assets at fair value	**74.3**
Goodwill	16.8
Purchase price	**91.1**

1.2 Axis Stockholmsledet 11 AB

On February 3, Axis AB acquired 100% of the shares in the property company Axis Stockholmsledet 11 AB (formerly Sagax Stockholm 11 AB). The exclusive aim of the acquisition was to acquire land for construction of a new headquarters in Lund. The new headquarters will be located adjacent to Axis' current premises.

The purchase price amounted to SEK 38.6 M. In connection with the acquisition, the company's debt of SEK 27.0 M was amortized. Expenses in connection with the acquisition of SEK 0.3 M were charged to earnings during 2016.

Purchase price analysis	SEK M
Impact on cash and cash equivalents	
Purchase price	38.6
Plus: amortization of loan	27.0
Less: acquired cash balances	-0.1
Impact on cash and cash equivalents	**65.5**
Fair value of identifiable assets and liabilities in Axis Stockholmsledet 11 on the acquisition date	
Non-current assets	65.5
Cash and cash equivalents	0.1
Total assets	**65.6**
Non-current liabilities	27.0
Total liabilities	**27.0**
Total identifiable net assets at fair value	**38.6**
Purchase price	**38.6**

1.3 2N Telekomunikace a.s.

On May 30, 2016, Axis Beta AB acquired 100 percent of the shares in 2N TELEKOMUNIKACE a.s. and 2N USA LLC. 2N is a leading player in the IP intercom field and is also active in other areas such as IP audio and communication solutions for lifts. The company has well-established sales channels, through electricians and telecom installers as well as lift manufacturers, which will complement Axis' present global sales channels. Together with 2N, Axis can meet the increased demand for integrated intercom solutions based on open standards that deliver increased security. An important shared mission is to accelerate the shift from analog to IP-based intercom systems and to develop new opportunities. The market is growing and Axis can continue to drive the market trend through this acquisition.

At the time of the acquisition, 2N had 197 employees. In 2015, the 2N companies' sales amounted to just over SEK 200 M.

2N's results and assets and liabilities are consolidated from May 30, 2016. The acquisition impacted consolidated sales by SEK 91 M and operating profit by SEK 7 M during 2016. Expenses in connection with the acquisition of SEK 4.2 M were charged to earnings during 2016.

The purchase price amounted to SEK 475.9 M, of which SEK 437.8 M was paid in cash on the acquisition date. The remainder of the purchase price will be settled in two parts, of which the first half shall be paid 12 months after the acquisition date and the other half 24 months after the acquisition date. The goodwill arising through the acquisition is related to 2N's strong position in the market. No portion of the acquired goodwill is expected to be deductible for tax purposes.

Preliminary purchase price analysis*	SEK M
Impact on cash and cash equivalents	
Initial purchase price	437.8
Less: acquired cash balances	-20.5
Impact on cash and cash equivalents	**417.3**
Fair value of identifiable assets and liabilities in 2N on the acquisition date	
Non-current assets	13.7
Inventories	47.8
Trade receivables	40.1
Other receivables	2.9
Cash and cash equivalents	20.5
Total assets	**125.0**
Trade payables	29.3
Other current liabilities	10.4
Total liabilities	**39.7**
Total identifiable net assets at fair value	**85.3**
Goodwill	390.6
Purchase price	**475.9**

*Pending a final purchase price analysis, all surplus values have been allocated to goodwill.

NOTE 2 Key ratios

2.1 Definitions

Return on equity
Profit after financial items less full tax divided by average equity.

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

Gross margin
Gross profit as a percentage of net sales.

Net receivables
Net interest-bearing receivables and liabilities.

Sales per employee
Net sales divided by the average number of employees.

P/E ratio
Share price divided by earnings per share.

Earnings per share
Net profit for the year by the average number of shares.

Operating margin
Operating profit as a percentage of net sales.

Operating profit per employee
Operating profit divided by the average number of employees.

Equity/assets ratio
Equity as a percentage of total assets.

Capital employed
Total assets less non interest-bearing liabilities including deferred tax liability.

Profit margin
Profit before tax as a percentage of net sales.

2.2 Aim

Return on equity
The key ratio shows the operation's return on the equity contributed by the shareholders and is thus a measurement of how profitable the group is. Investors can compare this metric with current bank interest or returns from alternative investments. The metric can also be used to compare profitability between companies in the same industry.

Return on capital employed
The key ratio shows the operation's return on the equity that the shareholders and lenders have made available. The metric thus shows the group's return, independent of financing choice, and can be used in connection with investment evaluations.

Net receivables
The key ratio is useful for users of financial statements as a complement to evaluate the possibility of dividends and strategic investments and also to evaluate the group's potential to meet its financial obligations.

Sales per employee
The key ratio shows users of financial statements how effectively the company's employees contribute to sales.

P/E ratio
The P/E ratio gives an indication of how long it will take before investors get back their money, provided that profits remain unchanged.

Operating profit per employee
The key ratio is used to show how each employee contributes to the group's operating profit.

Equity/assets ratio
The key ratio shows how large a proportion of the assets are financed with equity. The metric can be of interest when evaluating the group's solvency in the longer term.

2.3 Reconciliation with financial statements according to IFRS

	Q3 2016	Q3 2015	Q1–Q3 2016	Q1–Q3 2015	Full-year 2015
Return on equity					
Profit after financial items R12	863	852	863	852	881
Full tax	-190	-188	-190	-188	-194
Profit after financial items R12 less full tax	673	665	673	665	687
Average equity	1,965	1,335	1,965	1,335	1,420
	34.2%	**49.8%**	**34.2%**	**49.8%**	**48.4%**
Return on capital employed					
Profit after financial items R12	863	852	863	852	881
Financial expenses R12	-1	-2	-1	-2	-1
Profit after financial items R12 plus financial expenses	864	854	864	854	882
Average capital employed	1,967	1,335	1,967	1,335	1,420
	43.9%	**64.0%**	**43.9%**	**64.0%**	**62.1%**
Net receivables					
Cash and cash equivalents	673	774	673	774	1,016
Interest-bearing liabilities	-3	0	-3	0	0
	670	**774**	**670**	**774**	**1,016**
Sales per employee					
Net sales R12	7,085	6,380	7,085	6,380	6,635
Average number of employees	2,545	2,082	2,342	2,040	2,065
	2.8	**3.1**	**3.0**	**3.1**	**3.2**
P/E ratio					
Share price at end of the period	384.90	345.70	384.90	345.70	343.40
Earnings per share R12	9.30	9.09	9.30	9.09	9.39
	41	**38**	**41**	**38**	**37**
Operating profit per employee					
Operating profit R12	863	849	863	849	881
Average number of employees	2,545	2,082	2,342	2,040	2,065
	0.3	**0.4**	**0.4**	**0.4**	**0.4**
Equity/assets ratio					
Equity	2,188	1,572	2,188	1,572	1,742
Total assets	3,772	2,789	3,772	2,789	3,038
	58.0%	**56.4%**	**58.0%**	**56.4%**	**57.3%**

Some of the key ratios such as gross margin, earnings per share, operating margin and profit margin may be easily calculated from the financial statements. Thus these metrics are regarded as reconciled and are not presented above.

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