

ANNUAL REPORT 2007



Axis was founded in 1984 and was listed in 2000. Axis is currently listed on OMX Nordic Exchange, Large Cap segment, on the Information Technology list.

SHORTCUT TO AXIS



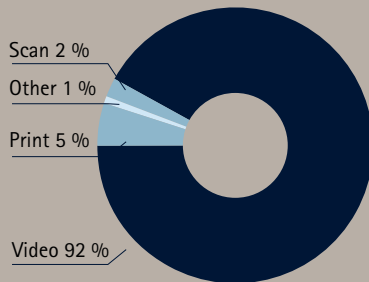
Axis is an IT company offering network video solutions for professional security installations. The company is the global market leader in network video and is a driving force behind the ongoing shift from analog to digital video surveillance. Axis' products and solutions are focused on security surveillance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

Axis is a Swedish-based company, operating worldwide via its own offices in 18 countries and through cooperation with partners in more than 70 countries. The company had 564 employees on December 31, 2007.

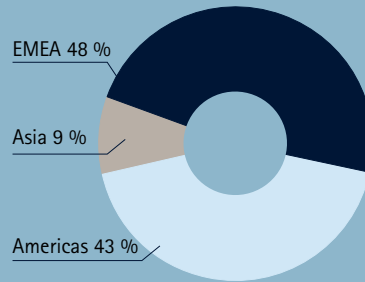


The majority of Axis' revenue comes from sales of network video products, network cameras, video encoders, decoders, accessories and application software.

Invoicing per product group, 2007

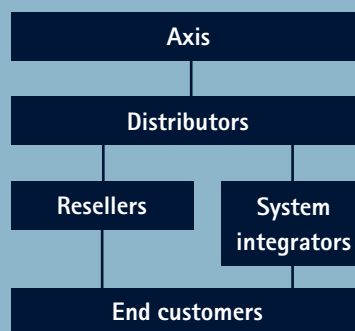


Invoicing per region, 2007



Axis collaborates with application developers, Application Development Partners (ADPs) that develop software. Axis has more than 450 ADPs in over 40 countries.

Axis' business model involves sales at two levels to system integrators and resellers via distributors. System integrators offers the end customer professional complete solutions of security installations. Axis had 14,000 partners at year-end.





1 000 000

Today, there are more than one million Axis' network cameras in installations worldwide.

Axis' network video products are installed in a number of identified customer segments;

- Retail (stores, gas stations, shopping centres)
 - Transportation (airports, railways, ports, busses, traffic surveillance)
 - Education (universities, schools, educational institutions)
 - Government (public authorities, police, museums, public places, health care, prisons)
 - Bank & Finance (banks, post offices, insurance companies)
 - Industrial (processing industry, engineering, construction, pharmaceutical, energy and mining companies)
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40%

Axis operates on the network video market, which market analysts expect to grow by 40 percent annually. Axis recorded growth of 44 percent for the Video product area in 2007.

The year in brief

Net sales amounted to SEK 1,671 M (1,202), representing growth of 39 percent for the Group.

Operating profit totaled SEK 368 M, compared with SEK 223 M in 2006.

The Board of Directors proposes a dividend of SEK 4.50 (3.00) per share, of which SEK 3.25 (2.25) is an extra dividend.

Axis' strong growth during the year was driven by comprehensive network video projects within all the identified customer segments. According to IMS report "The world market for CCTV & Video Surveillance Equipment" network cameras currently make up approximately 15 percent of new sales worldwide.

Axis has the broadest product portfolio on the market for professional surveillance. The portfolio includes network video products for both more basic installations as well as for comprehensive integrated security installations. A number of innovative products were launched during the year that were well-received by the market.

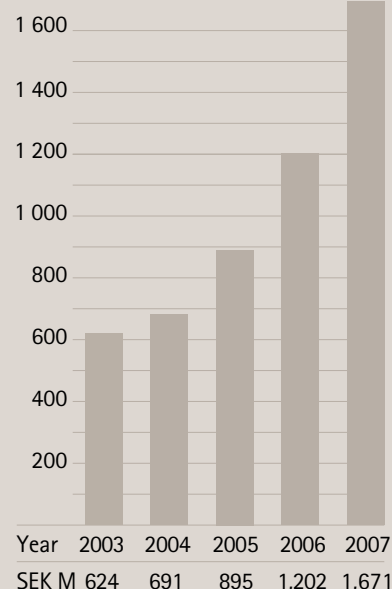
Axis is continuing to work actively on developing cooperation with partners. At present, Axis has 14,000 partners in all regions. A few hundred partners were trained during the year in the benefits of network video.

Axis is continuing the cooperation with Application Development Partners, ADPs. More than 450 ADPs had participated in the program as of year-end.

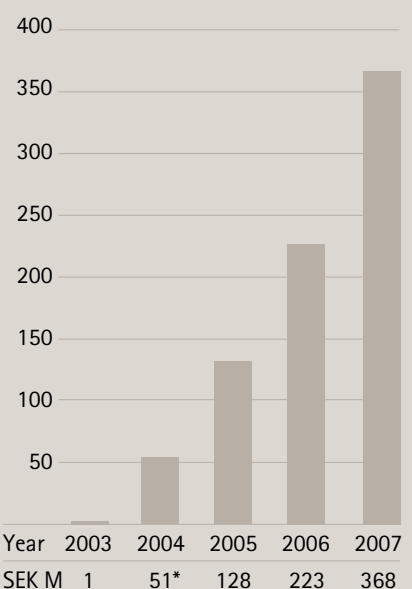
Key ratios

The Group, SEK M	2007	2006
Net sales	1,671	1,202
Operating profit	368	223
Profit before tax	367	222
Profit after tax	259	157
Earnings per share, SEK	3.73	2.28
Cash and cash equivalents at the close of the period	384	313

Net sales



Operating profit / EBIT



*The figures for 2004 are adjusted according to IFRS

Major successes and continued strong growth

2007 was yet another successful year for Axis. Sales increased by 39 percent to SEK 1,671 M. Earnings rose by 65 percent to SEK 368 M. The technology shift from analog to digital solutions continued at a high pace and Axis even grew a little faster than the market. Accordingly, we consolidated our position as the worldwide leader within network video. I am particularly satisfied that we ensured product supply notwithstanding the strong growth, and that we were also successful with large-scale recruitment.

Axis' favorable sales trend during the year is attributable to several factors. We have established additional local offices in countries where we already operate and have entered markets where we were not previously represented. We have also strengthened our market presence in other ways, for example, through increased marketing activities within the different customer segments. At the same time, the strong underlying market growth for network video has been favorable for Axis. However, the exchange rate effect had negative impact by SEK 88 M in sales and by SEK 13 M in net income.

Particularly strong interest within retail and transportation

The interest for comprehensive security installations featuring network video products has intensified during the year and additional orders have increased for projects already initiated. We have seen a strong interest for network video within all customer segments and particularly in Retail and Transport.

Therefore, we have intensified cooperation with partners that are specialized in these specific customer segments, among other ways, through marketing efforts and participation in specialized trade fairs.

Greater interest in public surveillance

Public surveillance, i.e., camera surveillance in public places, is another segment where we are seeing increased interest. Today, there is a greater social acceptance of this type of surveillance, not least in order to prevent and reduce criminality. One such example, is our involvement in the Safe City project in the US, a collaboration with the retail

chain Target, where network cameras have been installed in selected areas of the city in order to prevent crime. This initiative lies within the framework of the company's social responsibility or Corporate Social Responsibility. Taking care of the environment and actively assuming social responsibility are a natural part of Axis' operations and have been since the start more than 20 years ago.

Total 14,000 partners

The continued establishment of cooperation with partners in an important success factor for Axis. Axis Communications Academy is a cornerstone in the cooperation and is an initiative where partners are trained and subsequently possess a broad competence about network video solutions. The interest in becoming Axis' partner has grown at a fast pace in recent years and the number has increased from 10,000 to 14,000 partners during the past year.

Particularly good growth in the USA and Europe

Axis has reported higher growth in network video products than the 40 % forecast for the market in our three regions; Americas, EMEA and Asia. The trend has been very positive in the USA and Europe with considerable interest in more comprehensive installations and additional orders for projects already underway. Within the regions, there are markets where we have great expectations, and I am primarily thinking about areas where we currently have no presence. There is a great potential for Axis to take leading market positions.

The overall development in Asia does not fully meet our expectations. We established a sales office in Bangalore during the year in order to strengthen our presence, and we see a great potential in the Indian market. We have consolidated our presence in China further through our representatives in Beijing, Shanghai and Guangzhou in Southern China.

The decreased sales within the Document (Scan and Print) business area were expected and impact the sales result in Asia in particular.

Increasingly advanced network cameras

The trend for the network video market is clear. The technology shift from analog to digital solutions is continuing at an undi-



minished pace and confirms the previous 40 % global growth forecast made by the market research institute, IMS. Axis is the undisputed market leader on a market where an increasing number of players are offering network video solutions.

There are also some clear trends from a product perspective. One such trend is network cameras with megapixel sensors that deliver significantly better resolution and coverage. During 2007, Axis launched a number of megapixel cameras, for example, AXIS211M and AXIS 216MFD. Another trend that we have seen in recent years is added camera value in the form of intelligent functions. One such example is Axis' Active Tampering Alarm function. The function means that the camera notices if someone sprays on or interferes with the camera's operation in some other way. A further trend is the new compression standard for surveillance cameras, H.264. In the future, H.264 will mean that network videos require less bandwidth and storage space. Axis is well prepared for this shift in future products.

High pace of recruitment

Axis has recruited approximately 120 new employees during the year within all competence areas. The workforce totaled 564 at year-end. Introducing new colleagues quickly and effectively into the organization and to our distinct and strong corporate culture has been a top priority. Consequently, we have established an international induction

program during the year where corporate culture and values have been an important basis.

Promising market for 2008

The market for 2008 looks promising. There is no indication that the pace of the technology shift from analog to digital solutions will decline. The security industry is not particularly sensitive to market conditions, even though a severe economic downturn can result in less new construction and thereby reduce the number of installations of video surveillance equipment.

Our goals for 2008 are clear; we shall grow in line with the market and retain our market leading position. Another goal is to maintain a continued high pace of recruitment and to introduce a large number of network video products. However this will not be possible without all of Axis' committed staff. I want to take this opportunity to convey a big and warm thank you to all employees for your tremendous efforts during the year.

We will continue to prioritize growth in our objective of retaining our leading market position in the network video market. With the broadest product portfolio on the market, a global market presence that operates locally and competent employees, we have a good basis for retaining market leadership through the entire technology shift.

Ray Mauritsson
President & CEO

Business mission and objectives

Axis is an IT company offering network video solutions and is principally focused on the rapidly expanding market for professional video installations. The company is the market leader and the driving force in the ongoing shift from analog to digital solutions.

Overall goals

Axis is an innovative growth company. The Group's overall long-term financial goals are a total average annual growth of at least 20 percent for the Group, a profit margin of at least 10 percent and an equity/assets ratio in excess of 50 percent. In the short-term, the overall goal is to retain the company's market-leading position in the network video

market, a market that market analysts expect to grow by approximately 40 percent annually over the next few years. The conditions for a long-term increase in shareholder value shall be created through growth, continued profitability and a stable financial base.

Overall strategy

In order to retain the market-leading position, the strategy is to offer a broad video product portfolio and continuously develop dedicated cooperation with partners. The Company has launched network video products during the year and carried out activities aimed at achieving the goals for different business areas. ●

FOCUSED PRODUCT RANGE

As the leading network video expert, Axis develops innovative products and offers a comprehensive product portfolio.

Strategy: Axis shall maintain an offensive launching rate within the Video product area with new products and solutions intended for professional installations. Axis' network video solutions shall be scalable, flexible, cost efficient and intelligent and deliver enhanced flexibility and high performance.

2007: A series of innovative products for video installations were introduced during the year. Axis launched network video products designed and adapted to specific customer segments in the professional sector.

The intelligent Active Tampering Alarm function has been integrated in several camera models since year-end.

Strategy: The Video product portfolio shall be supplemented with software applications, in order to offer the customers effective standardized video applications and remote monitoring systems.

2007: Axis Camera Station has been refined during the year and now offers enhanced general security application possibilities. At the same time, the cooperation with ADPs (Application Development Partners) has been advanced further.

Strategy: Axis shall retain the leading technological position through a continued focus on research and development efforts. The basis of the products is constituted by platforms that ensure high quality and performance in all products.

2007: Axis offers the broadest product portfolio on the market. A number of products were launched during the year offering further enhanced image quality and intelligent functions.

Strategy: All manufacturing of Axis' products shall take place in collaboration with partners that are specialized in contract electronics production.

2007: Axis has expanded cooperation with additional contract manufacturers in order to optimize product supply to the market.



FOCUSED BUSINESS MODEL

Axis' sales model means that the company's sales take place via distributors to system integrators and resellers who in turn sell to the end customers. The strategy to further increase market presence involves close cooperation with system integrators in order to expand presence around the world in a cost efficient manner.

Strategy: Axis shall continue to increase business within the six end customer segments: Retail, Education, Government, Transportation, Bank & Finance and Industrial.

2007: Deals have been accomplished within all customer segments during the year. Axis has noticed an increased interest for network video installations generally and within the Retail and Transport sectors in particular.

Strategy: Axis shall continue to advance the cooperation with local partners as well as globally strategic business partners. The purpose is to ensure that customized solutions based on Axis' products are available for all customer segments.

2007: Axis has initiated and developed collaborations with strategic partners such as Securitas Systems, Honeywell, IBM, TAC (Schneider) and Johnson Controls. At the end of the year, the number of partners amounted to 14,000 worldwide.

Strategy: Axis shall continue its efforts to drive the current shift from analog to network video solutions, among other ways, by offering training via Axis Communications Academy, as well as by attending trade fairs and partner events.

2007: Partners in all regions have been trained since the commencement of the training program. Axis has successfully participated in more than 80 major trade fairs and in a large number of local activities worldwide.

FOCUSED COMPANY

Axis focuses on network video products and the employees possess a deep and broad competence within the area.

Strategy: Axis shall principally continue to grow organically. Acquisitions aimed at strengthening Axis' product offering and geographical spread are not ruled out however.

2007: Axis grew organically by 27 percent in the number of employees during the year.

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

2007: Axis' workforce grew within all competence areas during the year. There were 564 (446) people employed in the company at year-end.



1000000

One million Axis cameras on the market



Axis supplies the most comprehensive range of network video products on the market with network cameras, video encoders, decoders, application software as well as accessories in the product portfolio. Axis has delivered more than 1 million network cameras since the introduction of the world's first network camera eleven years ago.

Axis' network cameras are found in security installations, in all from smaller stores and offices to comprehensive installations in airports, major companies, busses, in schools, in banks, in retail chains, on streets and squares as well as within industry all over the world.

Benefits that create possibilities

The benefits of network, or IP video surveillance compared with the analog technology are considerable. Network cameras offer the users the possibility of remote monitoring, which means that they can gain access to video from a computer anywhere in the world. The cameras are easy to integrate with different security solutions, which delivers an optimal result adapted to each unique situation. Network

video solutions also offer flexibility which facilitates installation and expansion of the system. By using the proven network video technology, systems become more cost efficient. Power over Ethernet (PoE), in other words, power supply via network cables, is one of the competitive advantages of network installations.

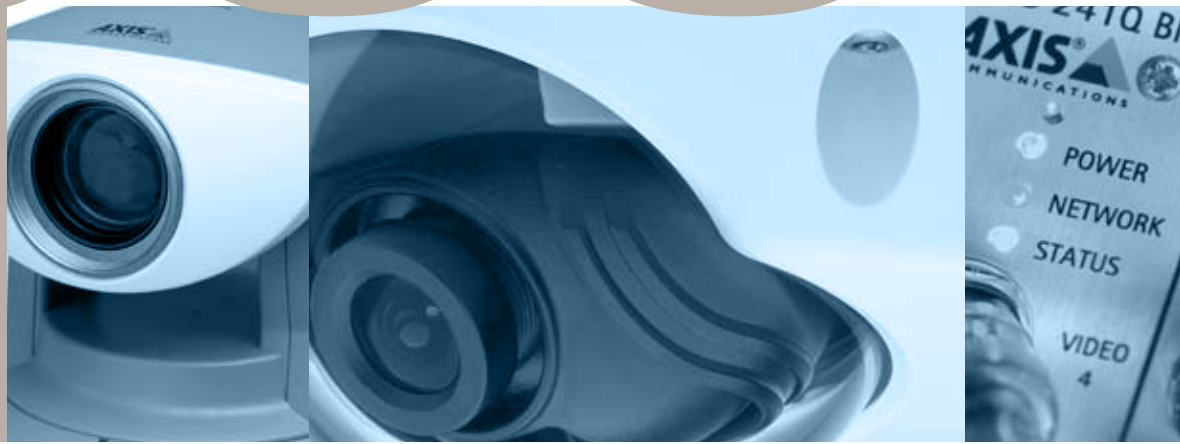
Intelligence creates added value

A digital system also offers the possibility of supplying intelligent applications, such as to be able to observe when unexpected events occur. Axis possesses deep competence within the area and works in close cooperation with partners in order to offer the customers intelligent solutions in systems where network cameras and video encoders are the main components. Since the end of the year, several of Axis' network cameras have been equipped with Active Tampering Alarm. This is a function that means that an alarm is sent to the control room when the camera is subjected to outside influence, such as e.g. vandalism. In this way, the operator can take action to fix the damage immediately.

The broadest product portfolio on the market

Axis' product portfolio is principally divided into two product areas: Video and Print & Scan. Video includes network

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cameras, video encoders, decoders, accessories and application software. Print & Scan consists of products for print server solutions for flexible print management and document processing.

Axis' network cameras can be divided into two categories, fixed and PTZ (Pan, Tilt, Zoom) cameras. In each category there are also dome cameras. Axis' fixed cameras are suitable for indoor and outdoor installations where a specific area shall be monitored. PTZ cameras are usefully deployed when the user wants to zoom in and pan over an area. Dome cameras are installed in environments where discreet and compact form is preferred. At the same time, they offer the possibility of monitoring a vast area, or of focusing on a smaller area.



fully installed for surveillance of outdoor environments, for example university areas.

AXIS 216MFD is a megapixel camera that is ideal for surveillance of larger areas. The camera is perfectly suited for installations in public buildings, schools, airports and banks.



AXIS 209FD and 209MFD are only four centimeters high and are very well suited for installations within the transport sector, for example on busses and trains. They are specially developed for these applications.

AXIS 233D is a camera that features the possibility of zooming in on small objects from a long range, while at the same time, retaining the high image quality. The network camera is usefully installed in environments with high security demands, for example in ports, in airports and in casinos.



AXIS 215 PTZ is a compact network camera that can pan 360 degrees and zoom in on details. The camera can be used for surveillance of, for example, stores, receptions and banks.

Axis video encoders are easily installed in new and existing analog installations. A video encoder (previously called Video server) functions as a bridge between the ana-



A number of innovative products were launched during the year. AXIS 211M is equipped with megapixel sensors, which means that the image displays a wealth of detail. Megapixel technology is ideal for surveillance of customers in for example, banks and gas stations or cash transactions in stores. AXIS 211W is a wireless variant of AXIS 211 and can be use-

log and digital technology. It digitalizes and transmits video from an analog camera which enables distribution of video over an IP network. The user can benefit from the advantages of network video while at the same time, make use of investments already made in analog cameras. During the year, Axis has among other things, successfully introduced AXIS 243Q Blade. AXIS 247S is a compact and space-saving video encoder that is integrated in a security installation along with an analog camera.

Axis also offers decoders, equipment that converts digital signals to analog and which can be useful when video shall be displayed on an analog screen.

Axis' accessories are an important part of the company's product portfolio. Axis offers an extensive range of accessories, including, camera covers that are used in order to protect cameras outdoors or in demanding environments. There are also lenses and different types of holders in the category that enable flexible assembly of the cameras.

Application software is an important part of the whole security system and links together network cameras and video encoders. AXIS Camera Station (ACS) is application software that enables monitoring and recording of video and sound in a smaller security installation. The user can record

continuously, according to a pre-arranged schedule or by event-controlled recording.

Axis Camera Management (ACM) is an application that facilitates management of comprehensive installations by allowing the user to easily see which network cameras and video encoders are connected in the system. In addition, it provides the possibility of configuring and upgrading several cameras concurrently.

Print & Scan product area

The Print & Scan product area includes print and document servers.

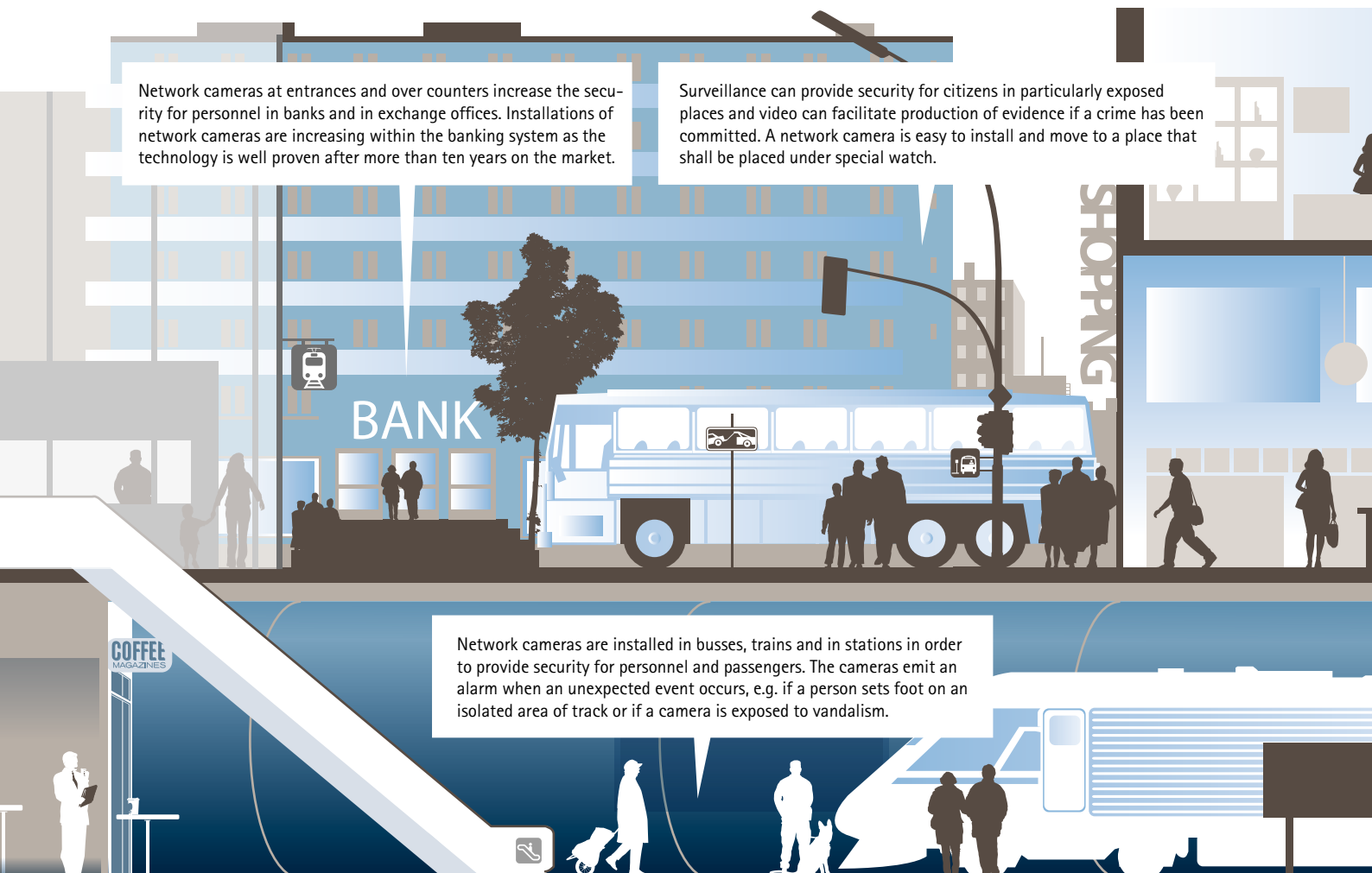
Axis has more than 20 years' experience in the print servers' area and has been a prominent brand for many years. The products enable cost efficient and user friendly printing functions regardless of network environment and type of printer. With its broad range, Axis satisfies the needs of smaller customers as well as larger companies and organizations. Currently, there are more than three million Axis print servers installed throughout the world. Within the Scan product area, Axis offers the products AXIS 70U and AXIS 7000 that facilitate document processing and transfer of documents via networks. ●



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.

Surveillance can provide security for citizens in particularly exposed places and video can facilitate production of evidence if a crime has been committed. A network camera is easy to install and move to a place that shall be placed under special watch.

Network cameras are installed in busses, 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.



CAMERA SURVEILLANCE THAT HELPS MOTORISTS

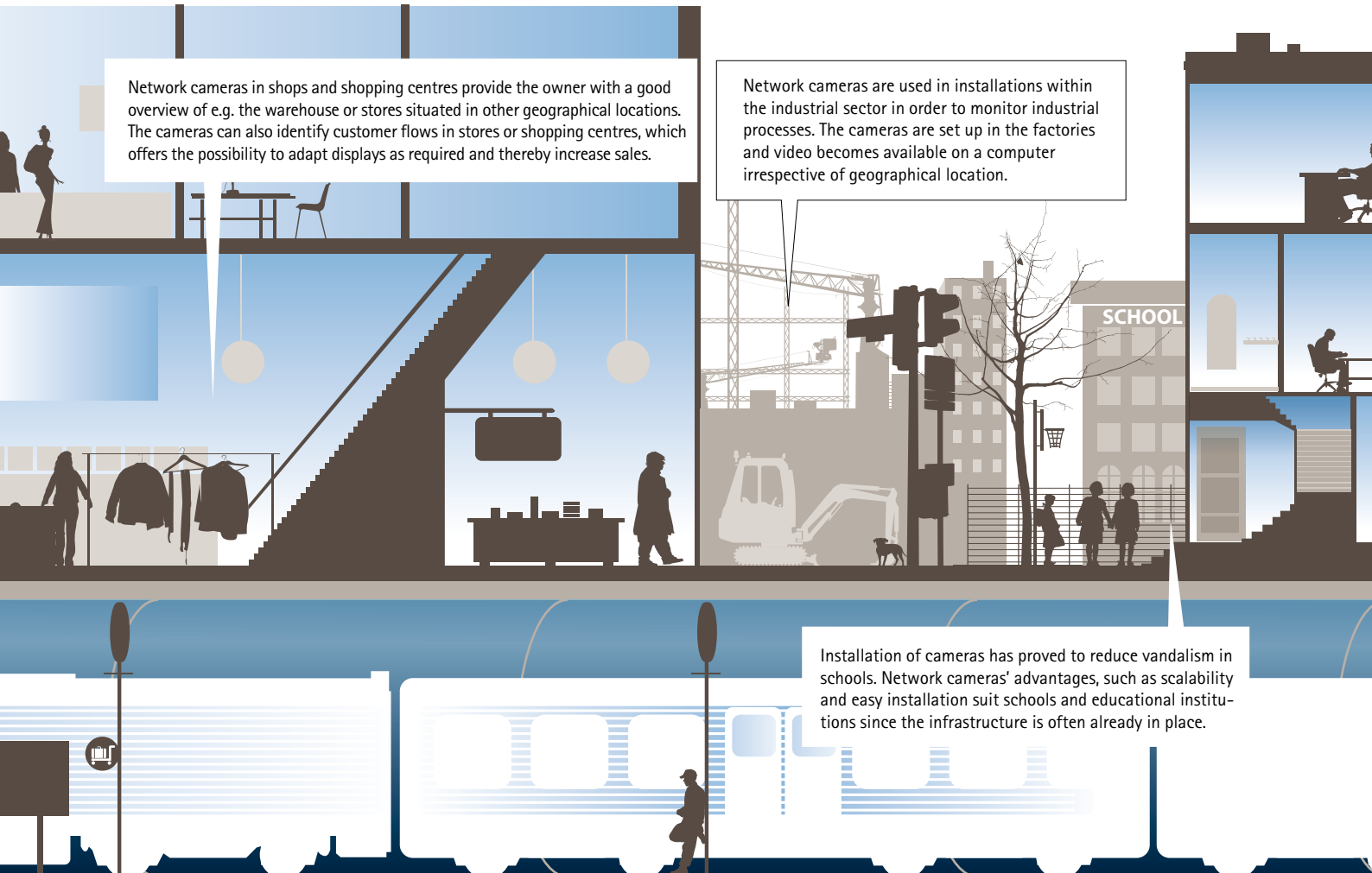


Traffic surveillance is a rapidly growing field of application for Axis' cameras. The new Egnatia motorway in Greece partially goes through very difficult terrain with a large number of tunnels and sharp turns. The weather conditions in the area are often extreme, with prolonged rain or heavy snowfall. Therefore, it was important to find a reliable solution, since the majority of accidents and narrow escapes occur in bad weather.

Axis' partner Safenet SA received the commission to install a wireless network solution for traffic surveillance on a part of the stretch. With the assistance of wireless routers for outdoor use, Axis' cameras now cover approximately 9 km of the motorway. The motorway personnel can now follow the events on razor sharp images regardless of the weather or light conditions.

In Bangkok, Genius Traffic is responsible for the infor-

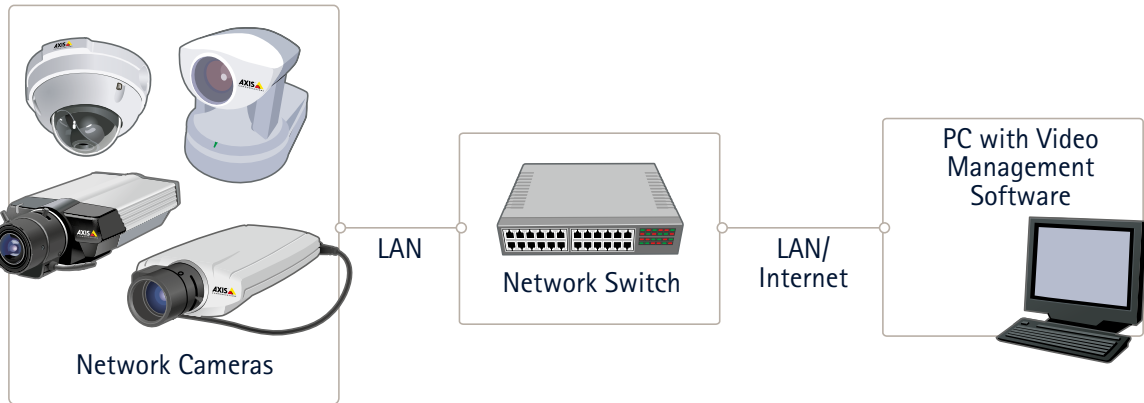
mation to the city's drivers. The traffic situation is of a chaotic nature and each driver is estimated to spend the equivalent of 22 days a year in queues of cars. Genius Traffic provides information about incidents and traffic diversions on large information boards. The employees are assisted by 50 or so of Axis' network cameras. The cameras are controlled remotely and can pan over the area as well as zoom in on details. Through its network solution, Genius Traffic has gained a tool which provides clear real time images, something that is crucial for providing accurate traffic information.



Network cameras in shops and shopping centres provide the owner with a good overview of e.g. the warehouse or stores situated in other geographical locations. The cameras can also identify customer flows in stores or shopping centres, which offers the possibility to adapt displays as required and thereby increase sales.

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

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.



THIS IS NETWORK VIDEO

Network video, which is often called IP video surveillance in specific security and remote monitoring applications, is a system where the users can monitor and record video via an IP network (LAN/WAN/Internet). Unlike analog video systems, network video uses the network in order to transmit information, instead of a closed cable system between the different units. In a network video application, digitalized video can be transferred to any place in the world whatsoever via a fixed or wireless IP network. It is also possible to monitor and record video from any point whatever in the network. Network video can normally be used in one of the following two categories:

Security surveillance

Network video's advanced functions make it very suitable

for security surveillance applications. For instance, through the possibility of installing network cameras as the need arises, the digital technology offers a flexibility that enables security personnel to improve the possibilities of protecting people, property and assets.

Remote access

Users can gather information from all of the important parts of the operations with the assistance of network video and view it in real time. This makes the technology ideal for surveillance of equipment, people and places both locally and at long distance. Examples of areas of application include traffic and production surveillance as well as surveillance of retail chains. ●

SMALL PATIENTS PROTECTED BY CAMERAS

Axis' cameras are used to guarantee good patient security at the Institute for Children's Emergency Surgery and Traumatology in Moscow. Axis' partner, EcoProg has installed more than 100 Axis' network cameras and video encoders that together constitute a top modern system for patient supervision.

When a patient presses his/her alarm, an image is sent to the responsible nurse who can quickly see what type of help is required. If several patients call at the same time, the nurse can use the images as a basis for prioritizing which patient should receive help first.

Since many of the patients are small children, the cameras are connected to sound sensors that are activated by crying or screaming. The cameras are also equipped with microphones and speakers for communication between nurse and patient.

"With our new network surveillance system, we can improve the care and monitoring of the patients. The personnel are called immediately if a child needs



emergency care. Children with serious injuries are the care systems most vulnerable patients and we must ensure that we offer high quality and fast care around the clock", says Leonid Roshal, Director of the Clinic. EcoProg has also installed a surveillance system for the building itself, where a large number of Axis' network cameras with motion and alarm sensors, cover corridors, entrances, exits and stair cases.

Global interest in network video

The technology shift from analog to digital solutions is continuing at a stable pace, which benefits Axis as the global market leader. During the year, Axis has continued to strengthen its position on the expanding market for network video products and today there are more than one million Axis' network cameras installed around the world.

There has been significant interest in network video products within Axis' six different customer segments regardless of geography. The Video product area has shown significant growth of 44 percent. The Print product area that operates on a mature market, displayed a fall in all areas, which has primarily impacted earnings in the Asia region

Axis' network video products have been installed in shopping centres, cruise liners, hospitals, companies, airports, on motorways, within industry, in cities, banks and stores around the world. The interest in comprehensive security installations featuring network video products has intensified and additional orders in major projects already underway have increased during the year, principally within the Transportation and Retail customer segments.

THE REGIONS

Axis' sales trend has been very positive during the year in all regions: EMEA (Europe, Middle East and Africa), Americas and Asia.

EMEA Region

The EMEA Region accounted for 48 percent of Axis' total sales during 2007 and displayed growth of 38 percent. The

activity was very intense during the year and Axis' products and solutions have generated great interest throughout the region. Important success factors for the region's growth are the intensified interest in the ongoing shift from analog to digital systems as well as the increased interest in network video solutions in East European countries and the Middle East. During the year, Axis strengthened its local market presence through establishment of a network of Axis' own sales personnel on the German, Italian and Spanish markets.

Americas Region

The Americas Region represented 43 percent of Axis' total sales and displayed growth of 47 percent during 2007. Axis has managed to increase the number of partners in the region in the company's partnership program. In addition to system integrators and resellers, work began on offering consultants know how regarding network video solutions. This has been a contributory reason for the increased interest and understanding of network video products. Market presence has been consolidated during the year through establishment of a network of Axis' own sales personnel across the whole continent, which contributed to the successes in the region.

Asia Region

The Asia Region accounted for 9 percent of Axis' total sales during 2007. Growth in the region amounted to 15 percent and the lower level compared with the other regions can be attributed to Print sales. The market is strongly diversified, but there is a widespread interest in the new digital surveillance technology and for professional surveillance solu-



tions. Axis has strengthened its market presence during the year with more offices in China and through establishment of an office in Bangalore in India.

Axis carried out a reorganization during the year within the region. The region has been divided into two parts, where the north is managed from Hong Kong and the south from Singapore.

EVENTS DURING THE YEAR

The increased interest on the market for network video products has continued during the year and Axis' products have been successfully installed within all the identified customer segments.

Increased security in Moscow's metro

Axis' network video products have been installed in Moscow's metro during the year with the aim of increasing security for both passengers and staff. The products offer rapid access to images from the moving trains, which means that security personnel can react quickly in the event of an accident. The initial installation involved approximately 1,000 network video products, which were supplemented during the year with additional installations on other lines.

High image quality in Switzerland

The Swiss Rail operator, Schweizerische Bundesbahnen (SBB), decided to install Axis' network cameras during the year on commuter trains around Zurich in order to increase security for passengers and personnel. The total installation involves about 5,000 network cameras with the potential for additional installations. The installation commenced during the fall of 2007 and is expected to be fully delivered at the end of 2009. Higher image quality, cost effective installations, easier access to stored material for security personnel and intelligent solutions were some of the benefits that were decisive in the decision to install network cameras.

Schools continue to install network video

Axis continues to successfully install network video products within the Education customer segment. Middletown City Schools in Orange County, New York state installed about 260 of Axis' network cameras during the first quarter. Apart from the above mentioned installation, a series of other less extensive installations have been completed during the year.

Interesting solutions in Retail

Approximately 25 percent of all security installations are performed within retail. An American retail chain chose to install Axis' products during 2006. Additional installations have been carried out within the same retail chain during the year. Besides comprehensive installations, Axis' network video products were installed in all from smaller to more extensive security solutions within the customer segment. Axis participated in the retail fairs Loss Prevention in the USA and

Retail Solutions in England with a view to meeting the increased interest from retail. It is the first time that the company participates in trade fairs for a specific customer segment.

Axis in casinos

During the year, Axis announced that network cameras have been installed in three casinos owned by the Choctaw Nation of Oklahoma in the USA.. Axis' network cameras are found in casinos in Durant, Broken Bow and Pocola for surveillance of the gaming premises, high stakes poker tables and gaming machines.

Global interest

During the year, Axis participated in important international trade fairs such as ISC West and ASIS in the US, Intersec Middle East in Dubai, SAFE 2007 in India, Security Show in Japan, Safety Technologies in Russia and IFSEC in England where the visitors displayed considerable interest in Axis' product news within network video. Axis also demonstrated interesting surveillance solutions in conjunction with partners and system integrators which generated significant attention from fair visitors throughout the world. Axis exhibited at over 80 trade fairs in total.

STS – for smaller companies and homes

Apart from the primary area, security installations for professional surveillance, Axis offers a solution for smaller companies and individuals: STS, Subscriber Technology System. During the year, cooperation has been initiated with the Swedish company tryggare.net, the Turkish telecommunications operator Turkcell and the Swedish telecommunication operator TeliaSonera's service Telia HemKoll.



Swedish IT Company of the year

At the end of the year, Axis was awarded the Gold Mouse prize for the Swedish IT Company of the Year. The jury's motivation was "The award winner has the capacity to continually change course. The leitmotif is an incomparable ability to convert innovative energy to profit. Today, it is about network video solutions." Axis has won the Gold Mouse on one prior occasion. That was in 1996, when the Gold Mouse in the category "Communication company or product of the year" went to Axis.

Print licensing sales

Sales within the Print product area have continued to show a decline. During the year, Axis signed a licensing agreement with an OEM partner for Axis' software to print servers. The agreement concerns a one-off licensing fee of approximately USD 2 M. Axis' business partner is licensing software for in-house refinement of its offering. The agreement will not impact sales of Axis' branded print servers. ●

Technology shift on a growth market

Market analysis institutions forecast that the total world market for video solutions is growing continuously and that the network video market is continuing to grow at a stable rate of 40 percent per year. Axis established itself as the first company on the market eleven years ago and remains the undisputed market leader.

Various market analysis institutions expect that the total market for video surveillance (CCTV), including for example, surveillance cameras, recording equipment and video encoders, will continue to grow by just over 12 percent annually. This growth has been consistent over a long period. According to IMS Research*, Axis was ranked the world's eighth leading company in the entire video sector in 2006, compared with twelfth place in 2005.

VIDEO

Axis remains the recognized largest player on the professional market for network video, a market where Axis leads

and drives the development of the ongoing technology shift. The technology shift from analog to digital surveillance is a strong contributory factor to the forecast 40 percent growth for network video products. Other factors include greater security consciousness throughout the world, the economic climate as well as new laws and regulations.

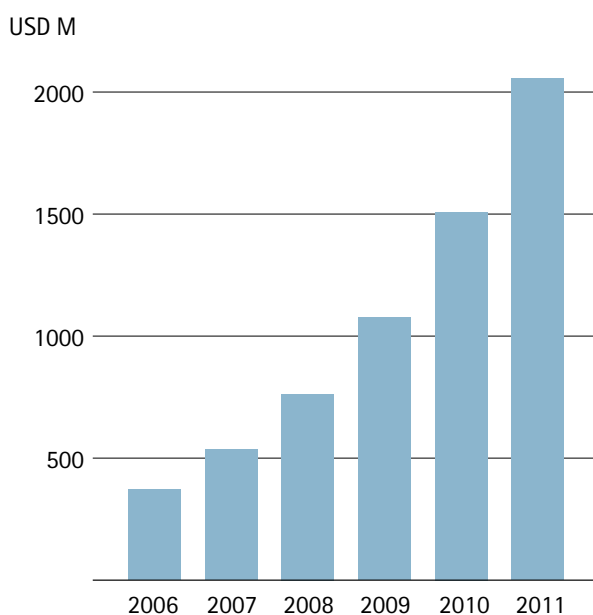
Convergence on the market

According to research conducted by the market research institute, IMS Research, the shift from analog to digital technology represents a new way of thinking when a security system is to be installed. The earlier closed systems have to give way to open and fully integratable systems, which is possible with Axis' network system.

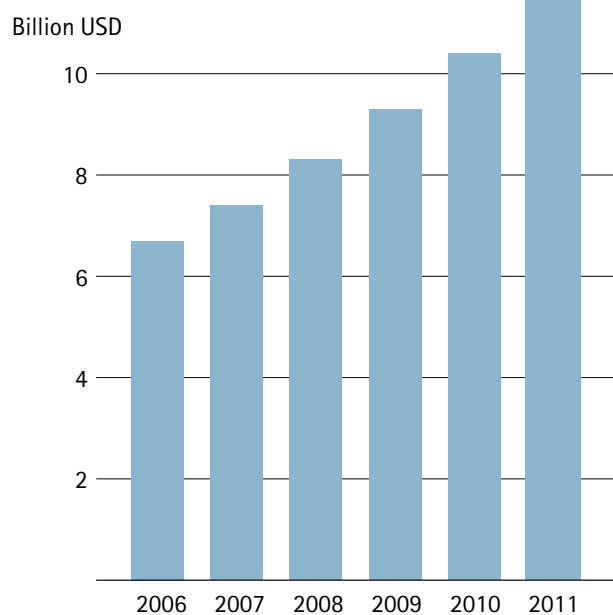
According to the same research company, network cameras are assumed to account for between 40 and 50 percent of total new camera sales in 2011. In an earlier study, IMS reported faster convergence that in the report for 2007. The report for 2007 incorporates more security products, which

* The edition of the report for 2007 "The world market for CCTV Et Video Surveillance Equipment".

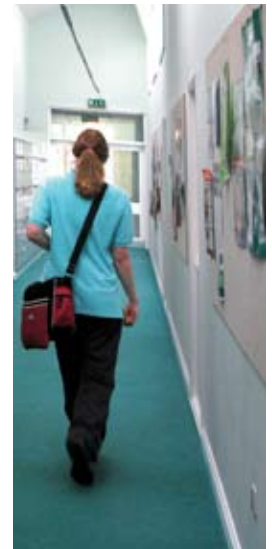
Growth forecast for the network camera market



The World CCTV Market



Source: IMS Research



Market shares for video surveillance equipment, 2006

Rank	Supplier
1	Pelco
2	Panasonic System Solutions (PSS)
3	Bosch Security Systems
4	GE Security
5	Honeywell
6	Tyco Fire Et Security
7	Samsung Electronics
8	Axis
9	Sony
10	Mitsubishi

Market shares for security cameras, 2006

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

Market shares for network cameras, 2006

Rank	Supplier
1	Axis
2	Sony
3	Panasonic Communications Company (PCC)
4	Mobotix
5	D-Link

Source: IMS Research

means that the identified market in this report is more comprehensive. However, the technology shift will continue at the same pace as previously forecast by IMS. The shift is still in an early phase with approximately 15 percent penetration for network cameras but the market is forecast to have great potential going forward.

Global market leader

IMS considers that Axis is the undisputed market leader within network cameras with a market share of just over 30 percent.

Axis has reached its position by offering solid know how about products and solutions, well-established sales channels, good relationships with partners and the broadest product portfolio on the market.

Axis is the fourth largest company in the security camera category which includes both analog as well as digital network cameras, compared with eighth place in the previous report. Moreover, Axis is the world leader on the market for video encoders according to IMS.

Geographically, IMS forecasts network video growth in all regions. The Asia Region is expected to experience

a good growth rate in the security market generally as the region has a lower share today. It is a logical development, since the Asian market is facing an expansion within many areas, e.g. infrastructure. In EMEA, the markets in the developing countries are expected to display stronger growth than the regional average. The Americas Region has displayed good growth over a long period and is forecast to continue growing at a similar rate going forward.

Digital solutions provide new business opportunities

Previously, video surveillance has been synonymous with security applications, but the digital technology opens the way to new business opportunities and markets. The digital technology offers the possibility of customized solutions and solutions that can be easily integrated with functions, such as for example to identify customer flows in a store or count people in a sports arena. Knowledge about the possibilities of network solutions has meant that companies' IT and security departments have moved closer to each other in order to integrate both physical and network-based security. This benefits Axis since IT departments have knowledge about networks and are often already acquainted with

Axis' products and solutions. It also offers new opportunities for IT resellers on the market.

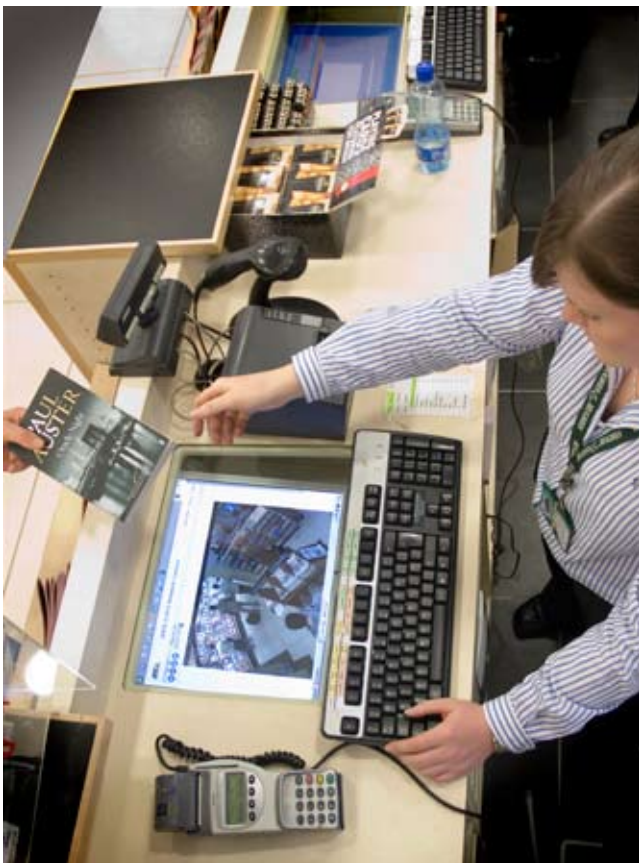
Competitors

The interest for network video products rose during the year, which has also meant that the competition has gradually increased. The largest competitors are still manufacturers of analog cameras, which account for approximately 85 percent of the new installations. The dominating manufacturers of traditional analog cameras are global players such as Pelco, Panasonic and Bosch. Examples of competitors offering network cameras include Sony, Panasonic and Mobotix.

Print & Scan

Axis offers a broad range of print servers and can satisfy the needs of both smaller customers as well as major companies and organizations. The customers continue to display interest for Axis' products within the Scan product area.

The market for print servers is mature, but with a well balanced product portfolio and a well extended distribution network, Axis has the strength to maintain its position on the market with an installed base of more than three million units. Axis is continuing with sales and marketing of print servers in collaboration with existing sales partners. Axis' main competitors in the Print product area are Hewlett-Packard (HP) and D-Link. ●



DIGITAL INSTALLATIONS CHEAPER THAN ANALOG

A central issue for many of Axis' customers is the difference in cost between a digital and an analog surveillance solution. A network camera is more expensive to purchase than its analog equivalent since it contains significantly more advanced technology and functionality.

An independent report was presented in August 2007 regarding the total cost for installations of surveillance cameras: *White Paper on Total Cost of Ownership – Comparison of IP- and Analog-based surveillance systems*. The conclusion of the report is that the breakpoint for new installations is reached at 32 cameras. This means that if the installation involves more than 32 cameras, the cost will be lower with a network solution. One reason that the breakpoint is reached at 32 cameras is that in an analog system a DVR is used (digital video recorder) which is equipped with 16 or 32 channels. When 32 channels are connected in an analog system and if installations are to expand, additional DVR equipment must be installed. In a digital system DVRs are not required, which saves costs.

Even from 16 cameras and upwards, the cost differential is negligible, even though the analog solution is somewhat cheaper to purchase. If there is an existing network, the IP solution is always a cheaper alternative, since it takes advantage of existing cables. An analog solution always requires new installation of cables and monitors.

The comparison is made entirely from a cost perspective and does not take account of the digital cameras superior image quality or scalability. Furthermore, a network solution is significantly easier to maintain and extend. The price trend for network solutions also shows that the cost of these will fall further in the future.

The whole report is available on www.axis.com

Loyalty generates business

Axis' products reach the end customer via distributors, system integrators, and resellers. The indirect business model generates geographical breadth and proximity to the customers, while at the same time, efficiency in Axis' organization is retained. By year-end 2007, more than 14,000 partners had participated in Axis' partnership program.

Axis' sales take place in the first stage to distributors who stock and handle network video products. In each country where Axis has a presence, the company works with a handful of distributors, who also include global partners such as Ingram Micro, TechData and Anixter.

Spreads knowledge further

The resellers and system integrators are the partners that meet the end customer in a sales discussion regarding a complete solution or about particular products. Resellers sell network video products directly to the end customer. The system integrators install and integrate Axis' products in security solutions in all of Axis' identified customer segments. A few of the system integrators that Axis cooperates with are Honeywell, Johnson Controls, TAC, Securitas Systems and IBM.

Expertise in the area

Axis continues to strengthen its presence on the market through inviting the company's partners to participate in one of Axis' internally developed partnership programs. Among



other things, participants receive information about launches of new products, access to marketing material as well as the opportunity to participate in Axis' exhibits at fairs. An important part of the program is training within network video.

During the year, Axis has also refined a program that is intended for consultants, A&E (Architect & Engineer-

COOPERATION PROVIDES INSIGHT TO THE FUTURE

The security market is driven by technological development and global clients who demand new types of IT-based security and surveillance solutions. To continue to grow and remain at the cutting edge, it is important to acquire know how in order to gain the best understanding of the sector's future direction and to be able to capitalize on new opportunities

Axis Communications, Assa Abloy and Securitas Systems have continued the cooperation with Lund University during the year which began in 2006 around a research program within Security Informatics, LUSAX. The coop-

eration aims to increase knowledge about developments in the security industry and how products, solutions and the different players' roles will look in the future.

The four year program involves research into new business models for security systems, management of organizational networks and alliances as well as identification of customer' needs going forward. The research will contribute to the development of methods and tools for analysts and researchers in particular which will make it easier to understand the markets and services of the future in the security industry.

NETWORK CAMERAS – A WEAPON AGAINST HOOLIGANS

When the Belgian football club Mons/Bergen were promoted to the premier league, completely new security demands were placed on the home arena. The club needed to find an alternative to its out of date analog equipment and therefore engaged Digital, one of Axis' partners in Belgium.

Apart from the obvious demands for high image quality and user friendliness, the solution also needed to comply with the requirements set by the Belgian authorities for larger sporting arenas. Belgium has been shaken by several violent events in connection with sporting arrangements and accordingly security consciousness is very high. The image quality is crucial, since both the clubs and the police want to be able to identify violent supporters.

"We must be able to provide the courts with clear evidence, in other words, images that either acquit or convict a supporter. The image quality from the analog cameras was too poor to identify individual persons with certainty", says Michel Taulet, the club's head of security.

Mons/Bergen's old equipment has therefore been supplemented with Axis' network cameras that cover the stands, bars and the area outside the stadium. The cameras are controlled from a control room where two operators are in radio contact with the police. All involved agree that the new solution has made the surveillance easier and the stadium more secure.



ing). The goal is that the consultants specifying products in security installations should have good knowledge about network video.

By year-end, around 14,000 partners had participated in Axis' program and 800 in the consultants program.

Axis Communications Academy

The company's partners are continuously trained through participation in the ambitious training program, Axis Communications Academy. The training is designed in order to educate the company's system integrators and resellers in the benefits of network video generally and Axis' products in particular, knowledge that will be used in the sales process. This ensures that the end customer has access to a large number of applications for their needs. In the last two years, almost one hundred partners have participated in Axis Communications Academy.

Applications that supplement the product portfolio

Apart from partners in the sales channels, Axis collaborates with over 450 application developers, i.e. Application Development Partners (ADP). These develop application software that supplement Axis' product portfolio. Through cooperation with ADPs close to the customers, understanding of the customers' needs is created and the solutions are adapted to the local market. Axis' successful ADP program is an important part of the company's ongoing investment in the professional network video market. The program is an initiative that reinforces links with companies developing application software for Axis' network video products. In this way, the company's offering to the market is broadened. Currently, the program involves more than 450 companies, among which Honeywell, Milestone, Genetec and Lenel are represented. ●

High pace of innovation and assured quality

Axis offers products that are the cutting edge, featuring the latest technology within the network video area in order to strengthen and maintain the company's market-leading position. Axis has more than 20 years' experience of research and development in the area.

R&D – a prioritized area

At Axis, more than 170 engineers work on developing the solutions of the future already today. To remain at the cutting edge with innovative solutions is the basis of the business. The development work has been focused on hardware and software for network products since the beginning.



Axis works with open systems, which means that Axis products can be easily integrated into other security solutions. Today, the emphasis lies on solutions within the Video product area, which includes network cameras, video encoders, decoders, accessories and application software. The last-mentioned has become an increasingly important component in recent years. Axis' long-term technological development is focused on the following areas: image quality, image analysis, coding, network security and system solutions.

Internally developed chip – the heart in the products

Image quality, image analysis, network security and system solutions form the basis of Axis' products and the company

has long experience and expertise within these areas. This means that Axis strives to continually remain at the cutting edge and improve the performance of the chips used in the company's products. Axis' internally developed ETRAX®-chip has been produced for network connection and forms the basis for by and large, all of Axis' products. The chip has the task of managing estimates, memory processing and network communication. It is energy efficient and small in relation to its size, which makes it possible to build into small products.

Image quality in focus

There is a clear trend within the network video area – ever higher demands are being placed on light sensitivity and dynamics in the network cameras. Over the years, Axis has been engaged in long-term work to develop high image quality that fulfils the demands of the network video products of tomorrow.

ARTPEC® is an image processing and image compression chip that has strongly contributed to Axis' dominating position as market leader within network video. The chip is found in both the company's cameras as well as video encoders.

ARTPEC® is an innovation that strengthens Axis' leading position on the network video market further since the chip is not only cost efficient but also offers high performance, good bandwidth efficiency and high image quality.

Intelligent solutions

The market is undergoing a paradigm shift which means that passive surveillance is being replaced by active, where intelligent video stands in focus. Intelligence in the cameras is central for the network cameras of the future, which places demands on the components in the equipment. Intelligent video means that the chip shall handle more information and process higher resolution images. Axis' development work within image analysis has meant that the company has acquired solid experience and considerable expertise within the area. Intelligent video means for example that a network video product can count people or raise an alarm when a camera is put out of operation.

Further optimization

Continual improvements are an important part in ensur-



ing Axis' leading position in the network video market. The product specification and the product development process have been further optimized during the year, among other ways, by integrating market knowledge into technological developments, which then forms the basis for the product development. This streamlines the launch of high quality and innovative network video products on the market. There is also a well structured innovation process within the organization where new ideas are taken charge of, evaluated and later integrated in development projects.

Patents safeguard the innovations

Axis conducts an active patent strategy in order to safeguard investments in core technology and intellectual capital. During the year, applications for eight patent families have been filed, chiefly within image processing and network technol-

ogy. Ten individual patents have been granted. The patent portfolio now contains a total of 60 active patent families.

Competence collaboration

Since the beginning, Axis has collaborated with universities and colleges and continually offers students the possibility of carrying out course work at the company. The company has awarded the Axis prize for many years to the best course work within the network video area. Axis has long-term and good relationships with research groups at Lund University, The Royal Institute of Technology Chalmers and Linköping University. Axis is also an active partner in CCCD (Competence Center for Circuit Design) which is an association of a number of prominent companies with common interests within chip design and the governmental agency Vinnova. ●

Flexibility and efficiency in the entire chain

In a growth company like Axis, a functioning supply chain is of the utmost importance. Axis devotes time and care in forecasting the market's needs and optimizing the processes with suppliers, contract manufacturers and distributors in order to streamline production and distribution.

Today, the company has a well-structured process for production and delivery of products, from component purchasing and electronics production to final assembly, quality control and delivery. Axis has a global perspective with respect to these functions and thereby ensures availability of the company's products all over the world and satisfies the customers' demands for flexibility, delivery security and high quality.

Important choice of suppliers

Axis chooses its suppliers of main components and semi-manufactures through a carefully designed process where the decisive factors are price, quality, ethics and flexibility. The suppliers are evaluated through a structured process so that they fulfil the demands that Axis places on its suppliers. For several years, the company has worked with contracts that contain working environment, financial and ethical demands. Workplace visits have also been part of the

evaluation of the company's suppliers. Axis has suppliers in Europe, North America and Asia.*

Contract production creates flexibility

All production takes place in collaboration with companies that are specialized in contract electronics production and which possess a high level of expertise within the area. To ensure continuous and flexible production, Axis uses selected contract manufacturers with factories around the world. Axis produces 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 internally developed 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 improves flexibility and capital can be released for other purposes.

Quality assurance

Apart from flexibility, quality and environmental considerations are important watchwords. Axis places demands that the contract manufacturers are ISO 9000 and ISO 14000

* Read more about Axis and sustainability on www.axis.com/corporate



AXIS IS A COOPERATION PARTNER FOR A SAFER CITY

Since September 2007, Axis is a cooperation partner in the Safe City program that is run by Target, the American retail chain. The aim of Safe City is to reduce criminality in selected cities through tougher surveillance in zones (so-called SafeZones). This takes place partly through close cooperation with the police and other authorities, and partly by Target and their cooperation partners providing support with financing and technological equipment. Axis' main role will be to supply Safe City with equipment, for example, network cameras, and contribute with advice regarding camera surveillance.

In the cities where Safe City has been implemented,

certain types of criminality have fallen by two digit percentages since SafeZones were introduced. In Minneapolis, the number of car thefts has decreased by 20 percent and robberies by 9 percent. In South Bay, car thefts declined in the zone by 19 percent and burglaries by 17 percent.

The police, Target, the cities' residents and the program's cooperation partners are collaborating in order to reduce the number of crimes and new cities are continually joining up. The benefit for all involved is enhanced security for property and people and lower costs as a consequence of lower criminality.

certified. 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 is quality assured in Axis' own distribution centers in Sweden and Thailand. During the year, Axis has contracted an additional facility in Europe in order to supply the expanding European market with network cameras satisfactorily. The new distribution center in Hungary will deliver the company's products to customers in Europe and its neighbouring countries.

Satisfied customers

Forecasts and order processing are two important factors when it comes to supplying the market with products at the right time. Processes for planning, managing and following up the order processing have been implemented during the year with the aim of improving the order process further. Based on a customer survey of the company's distributors at

the beginning of the year, areas with potential for improvements were identified and action was taken. A follow up at the start of the year showed that the measures had delivered results. The distributors were satisfied with the measures taken for order processing and with the extra focus placed on providing rapid and reliable order information.

Reliable forecasts

In order to supply the market with the right products at the right time, correct and reliable forecasts are of critical importance. The forecasts form the basis for the purchasing of components from the suppliers which have a lead time of 4–20 weeks. The forecasting work has been further enhanced during the year through closer cooperation between Axis' subsidiaries, the head office and the subcontractors. This means that the company can adapt itself more rapidly to changes in demand for products on the market and can provide the market with high quality network video products on time. ●



High environmental demands

Environmental considerations are an important factor in Axis' products, from development to delivery of finished products. The company supplies products and solutions efficiently, with minimum impact on the environment, while at the same time, it observes its legal obligations, environmental regulations and other requirements

Axis' environmental policy ensures that environmental considerations are included as a natural part of the day-to-day work. The environment is an equally important factor in the development phase as during delivery of the network video products. Axis' Environmental Council has a central role and comprises representatives from different functions in the company. The Council is tasked with continually working with issues aimed at minimizing the products environmental impact during manufacturing, delivery and installation. During the year, the Council handled subjects such as appointment of an environmental officer, overview of the company's travel policy and further improvements of the company's products from an environmental standpoint.

Demands on suppliers

Axis places environmental demands on its suppliers and the company supports suppliers, customers and partners in their choice of low environmental impact alternatives. The company's supplies are evaluated according to a structured process. Axis initiates and conducts an ongoing dialogue with customers, suppliers, employees, authorities and the public in order to improve the environmental work surrounding the company's products, services and operations.

Fulfils global demands

Environmental considerations form an integral part of each

new project. The company conducts a continuous and constructive dialogue with suppliers and subcontractors in order to reduce or eliminate negative environmental impacts during the production process. This means that the network video producers comply with prevailing environmental requirements during the product launch and that no substances identified as harmful to the environment under current directives are used. Axis has been working in partnership with its component suppliers to ensure a transition so that all existing and future products meet the requirements for elimination of environmentally hazardous components. The company meets the current directive on waste that consists of or contains electric or electronic products (WEEE) which sets out how worn-out electrical products must be dealt with. The company also meets the directive on restriction of certain hazardous substances, the RoHS directive, which aims to remove hazardous substances from the products. From March 2007, Axis' products have also been registered in order to meet the RoHS requirements on the Chinese market, which involves special labelling of products as well as manuals in the local language.

Focus on bulk transportation

Axis' aim, as far as possible, is to use environmentally certified transportation. In the logistics process, transport is the area that has the greatest environmental impact. During the year, the increase in transportation has been relatively low in comparison with the increased number of product deliveries stemming from the company's growth. Axis aims for bulk transportation, i.e. that more products are carried per transportation in order to reduce the impact on the environment. During the year, air transportation has been mainly used, but transportation by truck has also taken place. ●



Committed employees

Since Axis was founded over twenty years ago, the corporate culture has been a platform in the organization. The two founders wanted to establish a healthy company where the employees felt happy to work.

This has meant that Axis' employees are committed, open to new ideas and see it as their task to always be at the cutting edge in their area of expertise. During the year, the emphasis has laid on recruitment, integration and maintaining the corporate culture in a rapidly expanding company.

Common values

Axis' established corporate culture and values are at the center when potential staff shall be attracted and when it comes to development of existing staff. Axis' staff are encouraged to question, take the initiative, take responsibility and to always aim for the same goals.

Axis' values shall form the basis for an attractive working environment and create conditions for profitable growth. The company's core values have been revised on the basis of the staff's impressions of the company and have been aligned with the company's brand platform. Finally, all staff have undergone training in order to integrate the core values into the day-to-day work.

To operate as one company, (Act as one), to act openly (Always open) and think big (Think big) are the basic core values in Axis. The emphasis is on giving the individual freedom and confidence in his/her work and always being open to new ideas and opportunities.

Code of conduct

It is of great importance to Axis that its staff act correctly in all business related situations. The company's code of conduct (Code of Conduct) is clear. It emphasises the basic principles according to which Axis conducts its operations and handles relationships with its staff, business partners and other stakeholders. All employees are expected to support, contribute to and respect the company's values, integrity and responsibility. Axis encourages its suppliers, distributors, system integrators, consultants and other business partners to follow these principles.

Axis Code of Conduct is based on the following international principles:



- The UN's Universal Declaration of Human Rights
- The UN's Global Compact initiative that was introduced five years ago by the former secretary general Kofi Annan to promote a socially and environmentally conscious undertaking of responsibility by companies operating internationally.
- The ILO Declaration on Fundamental Rights and Principles at Work.

These shall be considered when decisions shall be taken in all areas from research and development to marketing.*

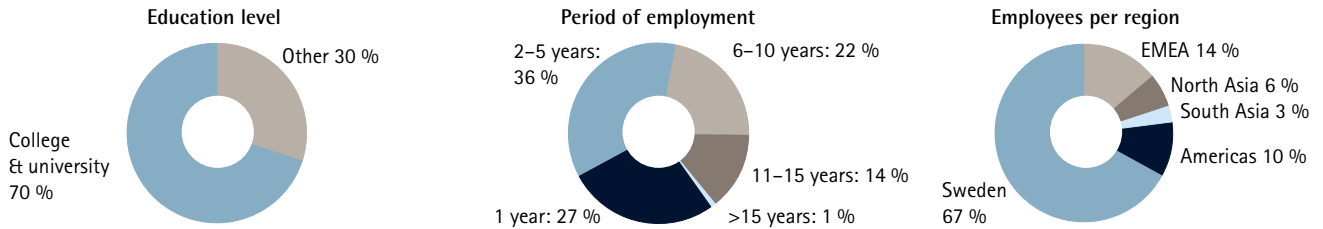
Recruitment and competence in focus

Axis' ability to retain and develop the Group's staff is of critical importance for the company. Therefore, particular importance is attached to the recruitment process, staff development and staff care

As a growth company, Axis faces increasing recruitment needs. The workforce increased by 118 employees during the year. Notwithstanding that there is a major need for expansion, the focus is on quality, skills and personality rather than on quantity.

New personnel have been recruited during the year particularly within sales and sales support functions, but also

* Read more about Axis and sustainability on www.axis.com/corporate



within research and development.

One way for the company to secure high skills levels in the future and to attract new graduates is through Axis' partnership with the Institute of technology at Lund University which goes back a number of years. Axis supervises around ten degree projects every year, and also confers the annual Axis Award to one of more students who have made an active contribution to increasing knowledge in the network video area.

Performance focused operations

Axis works continuously to ensure that it has the right person in the right place. Performance appraisals and training

activities are an important part of the operations and form the basis for individual staff development. Since our customers and suppliers have high demands on professionalism and quality, we expect our staff to do their absolute best for meet the demands of the market.

Staff care

Staff care is another important area for Axis and the company therefore places great importance on offering the staff a good working environment. Some examples are purpose-built premises, subsidized fitness activities and access to the company's gym for staff in Sweden. Another example is the opportunity of participating in various cultural events and festivities.



Staff statistics

During the year the level of absence due to illness was low, at 2.0 percent in total (2.1). Among women, absence due to illness was 2.8 percent (2.2) and among men it was 1.8 percent (2.0). The figure for the 0–29 age group was 2.5 percent, for the 30–49 age group 2.0 percent and for the 50–65 age group 1.2 percent. Staff turnover in Axis was low during the year at 9.5 percent (10.6). The average age of staff was 36 years. The number of women totaled 148 (111) and the number of men amounted to 416 (327). Axis is a typical salaried employee company, which is reflected by the high proportion of employees with university degrees 70 (67 percent). ●



NETWORK CAMERAS SIMPLIFY CAR PRODUCTION

When the Korean car producer KIA Motors opened the doors to its production facility in the city of Zilina in Slovakia in 2006, security was high up the agenda. The production is largely automated but still requires manual supervision.

KIA Motors needed a complete surveillance system in order to create efficient production control and a secure working environment. Therefore, the company chose to let Axis' partner ANECT design an advanced network video solution.

After careful analysis, ANECT in collaboration with Axis, could supply KIA Motors with a comprehensive surveillance system comprising just over 100 Axis' network cameras of various models. The production can now be followed via 56 monitors and two plasma screens, providing the technicians with information around the clock.

"We are extremely happy both with the technological solution and ANECT's installation of it. Axis' network cameras provide our technicians with images of excellent quality and the equipment is of the highest reliability", says Jin-Young of KIA Motors

Thanks to Axis' network cameras, KIA Motors has been able to follow its production and offer a more secure workplace to its staff for nearly two years.



The Axis share

Axis' ambition is to continually provide the financial market, owners and other interested parties with correct, consistent and relevant information with the aim of increasing understanding of the company and to meet obligations in order to comply with the current regulations for listed companies.

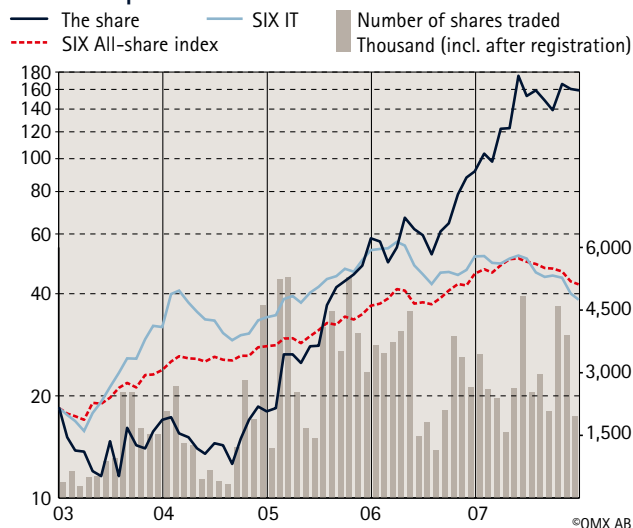
Axis was floated on the Stockholm Stock Exchange's O list on June 27, 2000. Since October 2, 2006, Axis has been listed on OMX Nordic Exchange, Large Cap segment, on the Information Technology list.

Price trend

The price paid for Axis' share rose during the year by 73.30 percent. The Axis share was one of the best performing shares on the OMX Nordic Exchange. During 2007, a total of 35,374,424 Axis shares were traded, which gives an average turnover of 141,497 shares per trading day, at a value of SEK 19.8 M per day. Trading in the share took place on all market days. The trading rate during the year was 51.0 percent.

The final price paid on December 29, 2007 was SEK 159. The highest price, SEK 179 was recorded on November 6, and the lowest price, SEK 87.50 was on April 4. The SIX All-share index fell during 2007 by 6.97 percent. Affärsvärldens IT sector index fell by 39.72 percent.

Axis' share price trend 2003–2007



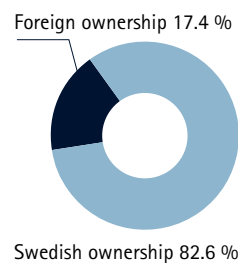
Market value

Axis' market value as at December 29, 2007 was SEK 11,030 M, which corresponds to an increase of 73 percent during the year.

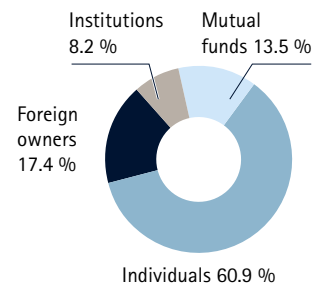
Ownership

The number of shareholders at the year-end was 11,639 (11,057). The proportion of foreign registered shares or shareholders who are not Swedish residents was 17.4 percent (17.0). The table on the next page shows Axis' ownership as at December 31, 2007.

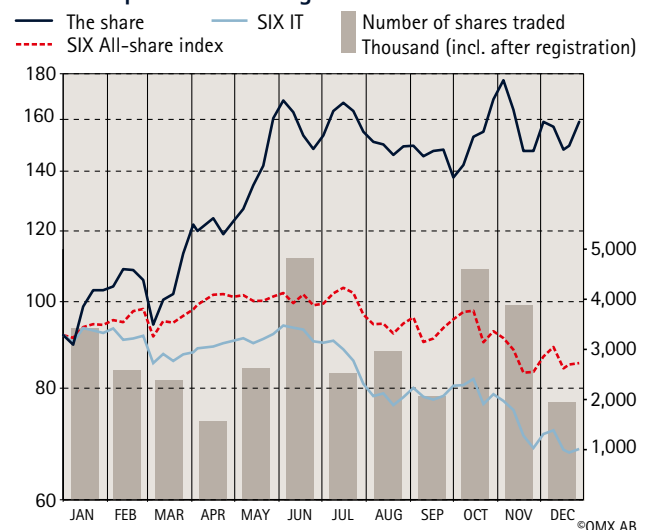
Swedish and foreign ownership



Ownership distribution



Axis share price trend during 2007



Shareholders

	Number of shares	Percentage
Therese Karlsson, privately and through companies (LMK Industri AB)	13 830 408	19.9 %
Christer Brandberg, privately and through companies (Inter Indu S.P.R.L.)	9 606 957	13.8 %
Martin Gren, through companies (Grenspecialisten AB)	7 157 471	10.3 %
Swedbank Robur	5 100 445	7.4 %
Unionen (formerly SIF)	1 560 400	2.3 %
Other 11 634 shareholders	32 116 519	46.3 %
Total	69 372 200	100.0 %

Dividend and dividend policy

Axis' dividend policy is to issue a dividend amounting to approximately one third of the net profit for the year after tax, taking account of the Group's target for its equity/assets ratio. The Board of Directors proposes a dividend of SEK 4.50 per share for the 2007 fiscal year, of which SEK 3.25 is an extra dividend against the background of the company's strong financial position. The proposed dividend of 1.25 SEK corresponds to MSEK 87, which means approximately 33 percent of the profit after tax.

Options program

The number of options, and the dilution effect a full exercise of the options would entail, is shown in note 16 on page 47.

Data per share

	2007	2006
Profit after financial items, SEK	5.3	3.21
Cash flow, SEK	1.02	1.82
Equity, SEK	7.95	7.24
Share price at the close of period, SEK	159.00	91.75
Price/equity, percent	2 000	1 268
Dividend, SEK	3.00	1.00
P/E-ratio	43	40
P/S-ratio	6.6	5.3
Number of outstanding shares (thousands)	69 372	69 253
Average number of shares (thousands)	69 315	69 084

Trend in share capital

Year	Number of shares	Nominal amount (SEK)	Share capital (SEK)
1984	500	100.00	50 000
1985	5 040	100.00	504 000
1987	5 640	100.00	564 000
1997	564 000	1.00	564 000
1999	56 400 000	0.01	564 000
2000	68 900 000	0.01	689 000
2001	68 900 000	0.01	689 000
2002	68 900 000	0.01	689 000
2003	68 900 000	0.01	689 000
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

Ownership December 31, 2007

Holding	Number of shareholders	Number of shares	Holding (%)	Votes (%)	Market value (SEK, thousand)
1-500	7 929	1 605 691	2.31	2.31	255 305
501-1 000	1 875	1 640 194	2.36	2.36	260 791
1 001-5 000	1 395	3 345 694	4.82	4.82	531 965
5 000-10 000	180	1 375 933	1.98	1.98	218 773
10 001-15 000	48	613 004	0.88	0.88	97 468
15 001-20 000	48	855 382	1.23	1.23	136 006
20 001-	164	59 936 302	86.40	86.40	9 529 872
Total	11 639	69 372 200	100.00	100.00	11 030 180

Analysts

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

Enskilda Securities	Andreas Joelsson
E. Öhmans j:or Fondkommission	David Jacobsson
Handelsbanken Capital Market	Stefan Wård
Kaupthing Bank	Mikael Laséen
Redeye	Urban Ekelund, Greger Johansson
Carnegie	Oscar Tuwesson
Swedbank	Håkan Wranne



Margareta Lantz
Manager Investor Relations &
Corporate Communications

Risks and risk management

All business activities are associated with risks to a greater or lesser extent. The management and board of directors must bear in mind and plan on the basis of these risks. Axis sees the importance of being aware of the company's potential risks and handles these in the best way possible. Parts of the risk management take place at a local level, close to the event that may occur, but is naturally carried out within the framework of the overriding Group policy.

Over and above the operational risks linked to macroeconomic trends, Axis is exposed to risks associated with the technology shift and to Axis' position as market leader in an expansive and relatively young market.

Axis identifies that an event may occur where network technology is put out of use which can have consequences for the ongoing shift. Functionalities such as stability and delivery security are critical factors in a transition to digital technology. Another factor is the view of public opinion regarding surveillance and personal integrity

The anticipated growth, particularly within network video, will lead to increased competition from resource rich companies currently operating in analog camera surveillance. These companies may become increasingly keen to expand their investments in network video. Among these players are companies such as Panasonic, Pelco, Sony and Bosch.

In order to minimize risks in the supply chain, Axis works with a number of subcontractors and a well-structured supply strategy, which ensure the production of the products.

RISK MANAGEMENT

Operational risks

The commercial risks to which the operation is exposed include credit risks from sales, political risks and delivery risks, as well as property risks and the risk of damages. Credit risks from operating flows are handled at local level. The Group's credit policy provides a framework for handling these risks. Political risks are primarily associated with the local regulations covering camera surveillance. There are no known changes at present in respect of legal restrictions in this area. Risks in the legal area are handled by Axis' specialists in cooperation with external lawyers and advisers.

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 advisers.

FINANCIAL RISKS

Axis' finance policy prescribes how responsibility for financing activities is allocated within the Group, which financial risks the Group is prepared to accept, as well as guidelines for limiting these risks. 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 currency risks are minimised. The Treasury Department does not have its own risk mandate. All currency hedging within the Group is carried out via the Treasury Department.

Financial risks are divided into the following groups:

- **Currency risk**
The risk that currency fluctuations may have a negative impact on the Group's results.
- **Interest rate 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 loan 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 fulfil their obligations, and that this would have a negative impact on the Group's results.

Currency risk

The Group has a strong international profile, with a substantial percentage of its sales and purchases in currencies other than Swedish Kronor. Fluctuations in exchange rates affect the Group in several different ways, but primarily through sales and purchases in non-Swedish currencies, in the translation of foreign subsidiaries' income statements and balance sheets, and in investments in currencies other than Swedish Kronor. The Group is particularly exposed to fluctuations in the exchange rates of the Swedish Kronor

against the US Dollar and the Euro. The Treasury Department is responsible for hedging the Group's net exposure.

Axis' finance policy defines how currency risk is to be minimised. Currency risk is divided into two main groups:

- **Transaction 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**
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.

Transaction risk

Under the finance policy, transaction risk is to be minimised through currency hedging all of the next twelve months' expected net cash flow. Currency hedging for the next two months will take place within the range 60–100 percent of the exposure, and for the next 3–12 months within the range 0–50 percent. 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 0.5 million. Historical exchange rate flows are followed up monthly in arrears.

Translation risk

The Group's equity is affected among other things by exchange rate fluctuations on investments in subsidiaries. To minimise the risk of negative effects, the finance policy stipulates that 80–100 percent of the exposure is to be hedged. During 2007, net investment in subsidiaries in Japan and the USA was hedged.

Interest rate risk

The finance policy states that the Treasury Department must minimise interest-rate expense as much as possible. The interest rate risk in the surplus cash and cash equivalents is handled so that the average interest rate on all investments must not exceed 6 months. Under the finance policy, the Treasury Department may employ interest rate derivatives to ensure that interest rates on credit facilities do not fluctuate

by more than two percentage points over one year. The interest-rate risk for 2007 was limited, since the credit facilities were unutilized throughout 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 ten percent of sales in cash and cash equivalents or unutilized credit facilities. On December 31, 2007, Axis had SEK 384 million in cash and cash equivalents, as well as unutilized credit facilities of SEK 210 million, compared with SEK 313 million and SEK 60 million respectively on December 31, 2006.

The surplus cash and cash equivalents are invested in fixed-interest securities with a maximum remaining term of two years, and an average term of no more than six months. As of December 31, 2007, SEK 190 million was invested in fixed-interest securities with an average term of 0.9 months. The corresponding figures on December 31, 2006 were SEK 225 million and 1.1 months.

Counterparty risk

The management of counterparty risk is controlled 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 following table indicates the effect of the most important factors on Axis' results for financial year 2007. Apart from currency exposure, the factors assessed as having the greatest effect on results are purchase prices and salary expenses. ●

Factor	Change, %	Effects on operating result, SEK M
Currency, SEK/USD	+/- 5	+/- 11
Currency, SEK/EUR	+/- 5	+/- 29
Purchases	+/- 5	+/- 37
Personnel	+/- 5	+/- 18

FLEXIBLE SOLUTION FOR A SMALL CITY

The small South African city, Msukaligwa took the decision to install surveillance cameras in the central parts of the city on account of the increasing criminality. The inspiration came from successful projects in Cape Town and Johannesburg but in Msukaligwa's case, the budget was limited. Axis' partner, Shop 4 Security received the commission to design and install a cost efficient system that can easily be extended.

The project is a collaboration between the city, the

local business community and the residents. The cameras have been installed in a number of places in the city and the surveillance takes place from a center in the municipal building. The police, fire department and a local crime prevention association take turns to carry out the surveillance.

Criminality in areas under surveillance had already fallen by 30 percent after two weeks of the system's operation. After three months, it had halved.

ADMINISTRATION REPORT

The Board of Directors and the President & CEO submit the following Financial Statements and Consolidated Financial Statements for the fiscal year January 1, 2007 – December 31, 2007. Unless otherwise stated, all amounts are in SEK thousands. 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, and is the driving force behind the current 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 technical platforms. Axis is a Swedish company, which acts globally via its own offices in 18 countries and through collaboration with partners in more than 18 countries. Axis was founded in 1984 and is listed on OMX Nordic Exchange, Large Cap segment, Information Technology. More information about Axis is available on www.axis.com

Significant events

During the year, the network video market continued to grow at a rapid pace driven by the technology shift from analog to digital solutions. With strong growth of 44 percent in the Video product area, Axis has strengthened and improved its position as market leader.

The market presence has been consolidated through the opening of a number of sales offices on the Asian market. During the third quarter, a sales office was opened in Bangalore, India. In addition, two new sales offices were opened during the second half of the year in Beijing and Guangzhou in China. Axis has continued with geographically spread recruitment in EMEA and in North America where the sales personnel come from so-called "home offices".

The sales trend was good in all regions. Many new innovative products were launched, and received with great interest by the market. Key features of the new network cameras are, in addition to better overall performance, functionalities such as megapixel sensors (e.g. AXIS 211M and AXIS 216MFD), more durable housings, "domes" (e.g. AXIS 216MFD and AXIS 233D), digital panning and zoom (e.g. AXIS 215 PTZ, built-in intelligence (e.g. the "Active tampering alarm" function that notices if the camera is subject to outside influence) and customized housings for mobile environments (e.g. AXIS 209MFD).

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 US chain stores. In the transport sector, the Schweizerischen Bundesbahnen, Moscow's metro and SL in Stockholm have chosen Axis' products and solutions.

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 2007. Within the partnership programs, the members were trained in the advantages of network video in general and Axis' product range in particular. At the end of the year, over 14,000 system integrators and 450 application developers had participated in the various programs.

Environment

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 the year, logistics flows were optimised, with the result that transport increased relatively less than sales. Furthermore, the Group's travel policy was revised to include consideration of environmental aspects.

Research and development

During 2007, 12.4 percent (14.4) of the Group's sales was invested in research and development in both hardware and software. The research and development expenses have increased by SEK 35 M compared with the preceding year and amount to SEK -193 M (-158). Expenditure on development work totaling SEK 15 M (15) was capitalized during the year. The capitalization principle is described further in note 2.7 to the accounts.

The heart of Axis' products is ETRAX®, an application-specific chip for connecting to fixed and wireless networks. The chip is found in the majority of products, and forms, along with Axis' software platforms, an extremely flexible technology base on which world-beating products can be developed, rapidly and cost-effectively. In addition, Axis is developing chips for image processing and image compression, ARTPEC®. Work on the development of the next generation of ARTPEC® continued during 2007.

Axis pursues an active patents strategy in order to protect its investments in its core technology and intellectual capital. During the year, applications for eight new patent families were filed, chiefly within image processing and network technology. Ten individual patents were granted during 2007. Axis currently holds 60 patents. The exposure to intellectual property risks in the patents area is managed by Axis' specialists, in collaboration with external lawyers and advisers. To date, a few disputes on patent infringement have been discussed, but these have not had any consequences for Axis.

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

Personnel

The pace of recruitment was high throughout 2007. At the end of the year, the number of employees totaled 564, which is a net increase of 118 since December 31, 2006. Most of the increase took place in sales and marketing. Of the staff, 377 (310) work in Sweden and 187 (136) in other countries.

Financing and cash flow

Axis had at its disposal a total of SEK 594 M on December 31, 2006, of which SEK 384 M was in cash, and SEK 210 M was in unutilized credit facilities. Axis is, consequently, in a very strong financial position for 2008. Cash flow from operating activities amounted to SEK 303 M (228). Net investments for the year totaled SEK 28 M (38) and total cash flow amounted to SEK 71 M (126).

Investments

Investments in tangible assets totaled SEK 15 M (14), and in intangible assets, SEK 13 M (24). Net investments for the year according to the consolidated cash flow statement amounted to SEK 28 M (38).

Ownership

Axis AB's share capital at the end of the fiscal year amounted to SEK 693,372, divided between 69,372,200 shares of a nominal value of SEK 0.01. All shares are of the same class. With the full exercise of the outstanding share options, the dilution effect is 0.41 percent.

Axis AB had 11,639 shareholders at the close of the fiscal year. The five largest shareholders at the end of the fiscal year accounted for 54 percent of both votes and capital.

	Number of shares	Percentage of capital and votes
T Karlsson, privately and via company (LMK Industri AB)	13 830 408	19.9 %
C Brandberg, privately and via company (Inter Indu SPRL)	9 606 957	13.8 %
M Gren, via company (Grenspecialisten AB)	7 157 471	10.3 %
Robur	5 100 935	7.4 %
Unionen	1 560 400	2.3 %
Other	32 116 029	46.3 %
	69 372 200	100.0 %

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 take over 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 1,671 M (1,202) which represents growth of 39 percent compared with the preceding year. Currency effects have impacted sales negatively by SEK 88 M. The Video product area increased sales by 44 percent from SEK 1,062 M to SEK 1,530 M while sales in the Print product area fell by 17 percent to SEK 79 M. The gross margin strengthened from 54.8 percent in 2006 to 55.2 percent in 2007.

Group operating profit amounted to SEK 368 M (223), corresponding to an improvement of SEK 145 M compared with the preceding year. The operating margin increased from 18.6 percent in 2006 to 22.0 percent for 2007. Currency effects impacted the operating profit negatively by SEK 13 M.

Profit after financial items totaled SEK 367 M (222), representing an improvement of SEK 145 M compared with the preceding year.

Income statement in Summary, SEK thousands

	Q1, 2007	Q2, 2007	Q3, 2007	Q4, 2007	TOTAL
Net sales	338 165	410 288	444 242	478 581	1 671 275
Gross profit	186 163	230 823	242 086	264 296	923 367
Gross margin %	55.1	56.3	54.5	55.2	55.2
Operating profit	66 595	94 629	102 413	104 433	368 070
Operating margin %	19.7	23.1	23.1	21.8	22.0
Profit after financial items	66 364	94 432	102 236	104 326	367 358
Profit margin %	19.6	23.0	23.0	21.8	22.0

Group Key Ratios

	2007	2006	2005	2004	2003
Net sales, SEK M	1 671	1 202	895	691	624
Profit after financial items, SEK M	367	222	128	50	8
Balance sheet total, SEK M	914	789	580	470	434
Equity/assets ratio	60 %	64 %	70 %	72 %	69 %
Return on total assets	43 %	33 %	24 %	11 %	2 %
Return on equity	50 %	35 %	25 %	12 %	2 %
Profit per share before dilution, SEK	3.73	2.28	1.32	0.44	0.12
Profit per share after dilution, SEK	3.72	2.27	1.32	0.44	0.12
Number of shares before dilution, average, thousands	69 315	69 084	68 906	68 900	68 900
Number of shares after dilution, average, thousands	69 426	69 220	69 121	68 900	68 900
Number of employees at the close of the fiscal year	564	446	391	346	362

Definitions are presented in note 29.

The formal work plan of the Board of Directors

The Board consists of five members elected by the annual general meeting. The Board held seven meetings during the fiscal year. The work of the Board follows an annual agenda and is otherwise governed by the formal work plan adopted by the Board covering the division of work between the Board and the President and CEO.

The Board has appointed a Remuneration Committee whose principal task is to prepare decisions for the Board in relation to guidelines surrounding salaries and other terms of employment for the staff, the President and CEO, and those members of the Board who receive remuneration other than the fees set by the annual general meeting. Lars-Erik Nilsson and Olle Isberg were the members of the remuneration Committee. Remuneration to senior executives may be seen in note 19, Personnel.

Axis' Nominating Committee consists of representatives of the three largest shareholders, Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu SPRL) and Martin Gren (AB Grens specialisten). Christer Brandberg is the Chairman and Convener of the Nominating Committee.

Contacts between the company's Board and the auditors have taken place through audit meetings between the Chairman of the Board and the auditors. The auditors have also participated in two Board meetings during the year.

Articles of Association

According to the company's articles of association, Axis' nominating committee shall propose new Board members, who are appointed by the annual general meeting. Amendment of the company's articles of association may only take place by resolution of the annual general meeting.

Authorization from the Annual General Meeting

The 2007 Annual General Meeting, resolved to give the Board the mandate, during the period until the next annual general meeting, on one or more occasions to make a new issue of a maximum of 6,856,500 shares in total. In this connection, the Board shall have the right to decide on a deviation from the shareholders' preferential rights and from provisions under Chapter 13, Section 5, item 6 of the Swedish Companies Act. The issue price for the new shares shall be set as close as possible to the market value of the company's shares on each occasion. The purpose of the authorisation is to facilitate corporate acquisitions with payment wholly or partly in Axis shares. If the mandate is fully utilized, it will represent a dilution of the share capital of not more than 9.9 percent (not including any dilution that may be occasioned by exercise of the share options that give entitlement to subscription for shares during the period of validity of the mandate until the next annual general meeting, i.e. share options 2002/2007 and 2000/2010, in which dilution can amount to not more than 0.49 percent).

Proposal regarding principles for determining salaries and other remuneration to the President and other members of the senior management

The Board of Directors proposes the following principles for determining salaries and other remuneration to the President and other persons in the company management. For information regarding the principles for remuneration in respect

of the financial year 2007, please refer to note 19, Personnel.

Remuneration to the President and other persons in Axis AB's management (that is, the seven persons who jointly with the President comprise the Group Management) comprises basic salary, variable salary 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 members of the senior management is to offer compensation that promotes retaining and recruiting qualified expertise to Axis AB.

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 the other members of the senior management is based on financial goals for the Group and is calculated as a function of the sales growth and the operating margin. The bonus to the President is maximized at 240 percent of the annual salary (for 2008) and for the other members of the senior management the highest individual bonus amount is a maximum of 100 percent of the annual salary (for 2008).

The pension age for the President is 65. Pension premiums shall amount to 35 percent of pension-based salary up to 28.5 base amounts. A premium of 25 percent is paid for salary exceeding 28.5 base amounts. The ITP agreement is applied for the other members of the senior management, with a pension age of 65.

In the event of termination of employment, a six-month mutual termination period applies for the President. In termination of employment of the President by the Company, severance pay corresponding to twelve cash monthly salaries is paid after the close of the termination period. Other income is not deducted from the severance pay. In the event of termination notice by the President, no severance payment is made.

Between the Company and the other members of the senior management, a mutual termination period of three to six months applies. In the event of termination by the Company, severance pay corresponding to six cash monthly salaries is paid to certain other members of the senior management, whereas other members of the senior management are not entitled to severance pay. In the event of termination by any of the other members of the senior management, no severance payment is made.

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

Over and above the operational risks linked to macroeconomic trends, Axis is exposed to risks associated with the technology shift and to Axis' position as market leader in an expansive and relatively young market.

Axis identifies that an event may occur where network technology is put out of use which can have consequences for the ongoing shift. Functionalities such as stability and delivery security are critical factors in a transition to digital technology. Another factor is the view of public opinion regarding surveillance and personal integrity.

The anticipated growth, particularly within network video, will lead to increased competition from resource rich companies currently operating in analog camera surveillance. These companies may become increasingly keen to establish themselves or expand their investments in network video. Among these players are companies such as Pelco, Panasonic and Bosch. The two last mentioned companies also offer network video solutions in partnership with Sony. In order to minimize risks in the supply chain, Axis works with a number of subcontractors and a well-structured supply strategy, which ensures the production of the products.

The commercial risks to which the operation are exposed include credit risks from sales, political risks and delivery risks, as well as property risks and the risk of damages. Credit risks from operating flows are handled at local level. The Group's credit policy provides a framework for handling these risks. Political risks are primarily associated with the local regulations covering camera surveillance. At present, there are no known changes in respect of legal restrictions in this area. Risks in the legal area are handled by Axis' specialists in cooperation with external lawyers and advisers.

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

The Group's international operations involve a number of financial risks which are handled according to the policies adopted by the Board. The overriding goal is that the Group's finance function provides 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, currency and credit risks. Interest rate risk is assessed as being limited. For further information refer to note 3 to the accounts.

Outlook

The market for 2008 looks promising. There is no indication that the pace of the technology shift from analog to digital solutions will decline. The security industry is not particularly sensitive to market conditions, even though a severe economic downturn can result in less new construction and thereby reduce the number of installations of video surveillance equipment

Axis' overall goals remain unchanged. The company's goal is to retain and strengthen the company's position as the market-leading supplier of network video solutions. To maintain market shares and to meet the increasing competition on the market, Axis will continue to pursue its focused strategy during the year. This strategy includes the launch

of innovative network video products, the advancement of partnerships as well as expansion and recruitment.

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 323 M (224).

Proposed appropriation of profits in the Parent Company

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

Profit brought forward and other	SEK 299 502 752
non-restricted reserves	
Net profit for the year	SEK 170 676 949
Total	SEK 470 179 701

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 312 174 900
Carried forward	SEK 158 004 801
Total	SEK 470 179 701

The company's non-restricted equity at December 31, 2007 amounted to SEK 470 179 701. The Board anticipates a continued positive trend during the 2008 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 INCOME STATEMENT

	Note	2007	2006	2005
Net sales	4	1 671 275	1 202 491	895 066
Cost of goods and services sold		-747 908	-543 484	-412 093
Gross profit		923 367	659 007	482 973
Other income and changes in value	8	7 231	2 534	-2 718
Selling and marketing expenses		-307 462	-226 732	-176 289
Administrative expenses		-61 673	-53 485	-53 274
Research and development expenses		-193 394	-158 168	-122 500
Operating profit	6, 7, 8	368 070	223 156	128 192
Financial expenses		-712	-750	-651
Profit before tax		367 358	222 406	127 541
Tax	9	-108 603	-65 025	-36 454
NET PROFIT FOR THE YEAR		258 755	157 381	91 087
Earnings per share before dilution, SEK	10	3.73	2.28	1.32
Earnings per share after dilution, SEK		3.73	2.27	1.32
Number of shares before dilution, average, thousand		69 315	69 084	68 906
Number of shares before after dilution, average, thousand		69 426	69 220	69 121
Proposed dividend, SEK		4.50	3.00	1.00

THE PARENT COMPANY'S INCOME STATEMENT

	Note	2007	2006	2005
Net sales		13 887	9 741	10 267
Gross profit		13 887	9 741	10 267
Administrative expenses		-16 560	-9 776	-12 706
Operating profit		-2 673	-35	-2 439
<i>Result from financial investments</i>				
Result from participations in Group companies	23	318 045	192 552	127 327
Interest income and similar profit/loss items	24	30 787	37 060	8 763
Interest expenses and similar profit/loss items	25	-22 862	-5 700	-34 070
Profit after financial items		323 297	223 877	99 581
Change in tax allocation reserve		-84 749	-24 135	-
Tax	9	-67 870	-56 646	-29 083
NET PROFIT FOR THE YEAR		170 678	143 096	70 498

CONSOLIDATED BALANCE SHEET

ASSETS	Note	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Non-current assets				
Tangible assets	5	24 221	17 957	8 750
Intangible assets	5	62 686	63 366	55 168
Deferred tax assets	11	-	-	38 696
Other financial assets	14	4 069	4 240	4 590
Total non-current assets		90 976	85 563	107 204
Current assets				
Inventories	12	166 131	151 690	117 811
Accounts receivable and other receivables	13	273 189	232 700	167 370
Derivative instruments	22	-	5 886	-
Current tax assets		-	-	613
Cash and cash equivalents	15	384 130	313 466	187 225
Total current assets		823 450	703 742	473 019
TOTAL ASSETS		914 426	789 305	580 223

THE PARENT COMPANY'S BALANCE SHEET

ASSETS	Note	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Non-current assets				
<i>Financial assets</i>				
Participations in subsidiaries	26	742	742	742
Deferred tax assets	11	1 671	-	34 724
Other financial assets		1 600	1 600	1 600
Total financial assets		4 013	2 342	37 066
Total non-current assets		4 013	2 342	37 066
Current assets				
<i>Receivables</i>				
Receivables from Group companies		631 561	297 600	291 987
Other receivables		26	2 315	14
Prepaid expenses and accrued income		376	6 205	1 340
Total receivables		631 963	306 120	293 341
<i>Cash and bank balances</i>				
Cash and bank balances	15	296 704	253 263	105 928
Total cash and bank balances		296 704	253 263	105 928
Total current assets		928 667	559 383	399 269
TOTAL ASSETS		932 680	561 725	436 335

CONSOLIDATED BALANCE SHEET

EQUITY & LIABILITIES	Note	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Equity				
<i>Capital and reserves</i>				
Share capital	16	694	692	689
Other paid-up capital		275 040	271 686	266 421
Other reserves	17	13 730	17 445	16 915
Profit brought forward		262 013	211 246	123 237
Total equity		551 477	501 069	407 262
Liabilities				
<i>Non-current liabilities</i>				
Borrowing	18	5 713	5 780	6 780
Pension obligations	19	326	126	200
Deferred tax liabilities	11	28 649	5 193	-
Other provisions	20	5 447	4 633	3 794
Total non-current liabilities		40 135	15 732	10 774
<i>Current liabilities</i>				
Accounts payable and other liabilities	21	291 081	253 564	161 152
Current tax liabilities		25 765	18 940	-
Derivative instruments	22	5 968	-	1 035
Total current liabilities		322 814	272 504	162 187
Total liabilities		362 949	288 236	172 961
TOTAL EQUITY AND LIABILITIES		914 426	789 305	580 223
MEMORANDUM ITEMS				
<i>Pledged assets</i>		<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>		<i>NONE</i>	<i>NONE</i>	<i>NONE</i>

THE PARENT COMPANY'S BALANCE SHEET

EQUITY & LIABILITIES	Note	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Equity	16			
<i>Restricted equity</i>				
Share capital		694	692	689
Statutory reserve		-	-	293 319
Total restricted equity		694	692	294 008
<i>Non-restricted equity</i>				
Share premium reserve		8 620	5 265	-
Reserve for the reduction of the statutory reserve		290 883	293 319	-
Profit brought forward		-	62 302	60 772
Net profit for the year		170 678	143 096	70 498
Total non-restricted equity		470 181	503 982	131 270
Total equity		470 875	504 674	425 278
Untaxed reserves				
Tax allocation reserve		108 884	24 135	-
Total untaxed reserves		108 884	24 135	-
Liabilities				
<i>Current liabilities</i>				
Liabilities to Group companies		322 769	8 208	8 306
Tax liabilities		21 379	21 922	-
Other liabilities		480	-	-
Accrued expenses and deferred income		8 293	2 786	2 751
Total current liabilities		352 921	32 916	11 057
Total liabilities		352 921	32 916	11 057
TOTAL EQUITY AND LIABILITIES		932 680	561 725	436 335
MEMORANDUM ITEMS				
<i>Pledged assets</i>		<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Contingent liabilities</i>	27	6 006	6 003	7 973

CHANGE IN EQUITY – GROUP

	Attributable to The Parent Company's shareholders				Total equity
	Share capital	Other paid-up capital ²⁾	Other reserves	Profit brought forward	
Opening balance as at January 1, 2005	689	267 361	8 456	66 901	343 407
New issue on exercise of warrants	-	449	-	-	449
Elimination of issue expenses in respect of expired options program	-	-1 005	-	-	-1 005
Elimination of issue expenses in respect of exercised options	-	-449	-	-	-449
Vesting of stock options in Axis Inc. USA ¹⁾	-	60	-	-	60
Other adjustments	-	5	-	-301	-296
Cash flow hedges after tax	-	-	-2 114	-	-2 114
Hedging of net investments, after tax	-	-	-6 760	-	-6 760
Exchange rate differences	-	-	17 333	-	17 333
Total transactions recognized direct in equity	-	-940	8 459	-301	7 218
Net profit for the year	-	-	-	91 087	91 087
Dividend in respect of 2004	-	-	-	-34 450	-34 450
Closing balance as at December 31, 2005	689	266 421	16 915	123 237	407 262
Opening balance as at January 1, 2006	689	266 421	16 915	123 237	407 262
New issue on exercise of options	3	5 265	-	-	5 268
Other adjustments	-	-	1	-404	-403
Cash flow hedges after tax	-	-	3 419	-	3 419
Hedging of net investments, after tax	-	-	6 571	-	6 571
Exchange rate differences	-	-	-9 461	-	-9 461
Total transactions recognized direct in equity	3	5 265	530	-404	5 394
Net profit for the year	-	-	-	157 381	157 381
Dividend in respect of 2005	-	-	-	-68 968	-68 968
Closing balance as at December 31, 2006	692	271 686	17 445	211 246	501 069
Opening balance as at January 1, 2007	692	271 686	17 445	211 246	501 069
New issue on exercise of options	2	3 354	-	-	3 356
Other adjustments	-	-	-	-155	-155
Cash flow hedges after tax	-	-	-7 130	-	-7 130
Hedging of net investments, after tax	-	-	6 802	-	6 802
Exchange rate differences	-	-	-3 387	-	-3 387
Total transactions recognized direct in equity	2	3 354	-3 715	-155	-514
Net profit for the year	-	-	-	258 756	258 756
Dividend in respect of 2006	-	-	-	-207 834	-207 834
Closing balance as at December 31, 2007	694	275 040	13 730	262 013	551 477

¹⁾ Refers to stock options linked to warrants acquired for on-selling to employees in the US subsidiary, Axis Inc. Stock options are expensed on a current basis as they are earned by staff.

²⁾ In previous annual reports, Other paid-up capital was recognized in Other reserves.

CHANGE IN EQUITY – PARENT COMPANY

	Share capital	Statutory reserve	Share premium reserve	Reserve for the reduction of the statutory reserve	Profit brought forward	Net profit for the year	Total equity
Equity December 31, 2004	689	294 324	-	-	46 280	45 397	386 690
Effect on Jan 1, 2005 on valuation at fair value	-	-	-	-	3 545	-	3 545
Reversal of net profit for the year	-	-	-	-	45 397	-45 397	-
Dividend	-	-	-	-	-34 450	-	-34 450
New issue on exercise of options	-	449	-	-	-	-	449
Elimination of issue expenses in respect of expired options program	-	-1 005	-	-	-	-	-1 005
Elimination of issue expenses in respect of exercised options	-	-449	-	-	-	-	-449
Net profit for the year	-	-	-	-	-	70 498	70 498
Equity December 31, 2005	689	293 319	-	-	60 772	70 498	425 278
Reversal of net profit for the year	-	-	-	-	70 498	-70 498	-
New issue on exercise of options	3	-	5 265	-	-	-	5 268
Dividend	-	-	-	-	-68 968	-	-68 968
Reduction of statutory reserve	-	-293 319	-	293 319	-	-	-
Net profit for the year	-	-	-	-	-	143 096	143 096
Equity December 31, 2006	692	-	5 265	293 319	62 302	143 096	504 674
Reversal of net profit for the year	-	-	-	-	143 096	-143 096	-
New issue on exercise of options	2	-	3 355	-	-	-	3 357
Dividend	-	-	-	-2 436	-205 398	-	-207 834
Reduction of statutory reserve	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	170 678	170 678
Equity December 31, 2007	694	-	8 620	290 883	-	170 678	470 875

Number of shares as at 31 December 2007 totaled 69,372,200. The par value was SEK 0.01 per share.

At the annual general meeting on April 17 a dividend of SEK 4.50 per share in respect of 2007 will be proposed. During 2007, SEK 3.00 per share was paid in respect of the fiscal year 2006.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Jan 1–Dec 31 2007	Jan 1–Dec 31 2006	Jan 1–Dec 31 2005
<i>Operating activities</i>				
Cash flow from the operation	28	378 747	233 750	130 732
Financial expenses paid		-712	-491	-159
Taxes paid		-75 079	-6 326	-44
Cash flow from operating activities		302 956	226 933	130 529
<i>Investing activities</i>				
Acquisition of tangible assets	5	-14 752	-14 226	-5 970
Acquisition of intangible assets	5	-13 062	-23 766	-24 110
Investments in other financial assets		-	-	159
Cash flow from investing activities		-27 814	-37 992	-29 921
<i>Financing activities</i>				
New issue		3 356	5 268	449
Dividend paid		-207 834	-68 968	-34 450
Other		-	1 000	-405
Cash flow from financing activities		-204 478	-62 700	-34 406
Cash flow for the year		70 664	126 241	66 202
Cash and cash equivalents at the start of the year		313 466	187 225	121 023
Change in cash and cash equivalents		70 664	126 241	66 202
Cash and cash equivalents at the end of the year	15	384 130	313 466	187 225

CASH FLOW STATEMENT – PARENT COMPANY

	Note	Jan 1–Dec 31 2007	Jan 1–Dec 31 2006	Jan 1–Dec 31 2005
<i>Operating activities</i>				
Cash flow from the operation	28	117 472	-21	45 109
Net interest income/expense		7 925	24 217	1 141
Group contribution received	23	321 361	195 161	129 871
Shareholders' contribution	23	-3 316	-2 609	-2 544
Adjustment for cash flow not affecting Group contribution		-125 439	-5 713	-71 440
Taxes paid		-70 084	-	-
Cash flow from operating activities		247 919	211 035	102 137
<i>Financing activities</i>				
New issue		3 356	5 268	449
Dividend paid		-207 834	-68 968	-34 450
Cash flow from financing activities		-204 478	-63 700	-34 001
Cash flow for the year		43 441	147 335	68 136
Cash and cash equivalents at the start of the year		253 263	105 928	37 792
Change in cash and cash equivalents		43 441	147 335	68 136
Cash and cash equivalents at the end of the year		296 704	253 263	105 928

NOTES

Note 1 General information

Axis develops products which add value to network video solutions. The company is an innovative market leader in the fields of network video solutions and print servers. Axis' solutions are used mainly in security systems, remote monitoring and document processing applications. All products are based on the company's own chip technology which is also sold to third-party developers. Axis was established in 1984, and is listed on OMX Nordic Exchange, Large Cap segment, on the Information Technology list. The company operates globally through its own offices in 18 countries, as well as through collaboration with distributors, system integrators and OEM partners in about 70 countries. More than 95 percent of sales are to markets outside Sweden.

Note 2 Accounting principles

2.1 Basis for preparing the financial statements

The consolidated financial statements for the Axis Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and also in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standard Council's recommendation RR 30. The most important accounting principles adopted in preparing the consolidated financial statements are specified below.

Preparing financial statements in conformity with IFRS requires the use of some important accounting estimates. In addition, management is required to make judgments in applying the company's accounting principles. 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 accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standard Council's recommendation RR 32:05.

From January 1, 2005, Axis' consolidated financial statements have been prepared in accordance with IFRS. The interim report for the first quarter of 2005 was the first the company published in conformity with IFRS. Prior to and including 2004, Axis applied the Swedish Financial Accounting Standard Council's recommendations and statements. The transition to IFRS was reported in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", for which the transition date is January 1, 2004. IFRS 1 lays down that the comparison year, 2004, is also to be reported in conformity with IFRS. Financial information relating to fiscal years prior to 2004 has not been recalculated. To evaluate the effect of the transition to IAS and subsequently to IFRS, a project group was organised in 2002 under the chairmanship of the company's Group Controller, with the assistance of the company's auditors. Identified significant effects were reported on an ongoing basis to the Group management team and the Board of Directors.

Reporting in accordance with IAS 39 has taken place since January 1, 2005.

Axis holds financial assets which were previously valued at accrued acquisition value. Under IAS 39, these assets are to be valued at fair value. As a consequence of this, equity as at January 1, 2005 has been adjusted by SEK 2.3 million. With effect from January 1, 2005, changes in the value of these assets have been reported through the income statement, since they are classified as financial assets valued at fair value through the income statement.

Axis also holds financial derivatives, primarily forward currency contracts, for the purpose of hedging purchases and sales in foreign currencies, as well as net assets in foreign subsidiaries. Axis applies hedge accounting. The adoption of IAS 39 means that cash flow hedging is recorded in the balance sheets and income statements, while hedging in respect of the translation of net assets in foreign subsidiaries, equity hedge, is reported along with the translation difference directly in equity.

Initial equity as at January 1, 2005, adjusting for IFRS and allowing

for tax effects, has been affected positively by SEK 1.2 M for unrealized cash flow hedges. The change in policy in relation to equity hedging has resulted in a reversal of SEK 6.8 M within equity from non-restricted reserves to translation differences, since the effects of equity hedging in accordance with the previous accounting policy were reported in the income statement.

Disclosure according to IFRS 7 has taken place in the annual report for 2007.

IFRS 4 (concerns insurance contracts), IFRIC 7 (concerns reporting in high inflation countries) and IFRIC 9 (concerns revaluation of embedded derivatives) that entered into force in 2007 have not affected these financial statements as they are not considered relevant to Axis' operations.

Axis has not applied any standards in advance which have not yet entered into force.

2.2 Consolidated financial statements

Subsidiaries are all the companies for which the Group has the right to set financial and operational strategies in the manner normally associated with a shareholding amounting to more than half of the voting rights. The existence and effect of potential voting rights which it is currently possible to utilize or convert are to be taken into account in the assessment of whether the Group exercises a controlling influence over another company. Subsidiaries are to be included in the consolidated financial statements from and including the date on which the controlling influence is transferred to the Group. They are to be excluded from the consolidated financial statements from and including the date on which the controlling influence ceases.

The purchase method is used for the accounting of Axis' acquisitions of subsidiaries. The acquisition cost is made up of the fair value of assets given, equity instruments issued by the acquirer and incurred or assumed liabilities at the date of exchange, plus any costs directly attributable to the acquisition. Identifiable acquired assets and assumed liabilities, along with any contingent liabilities in a corporate acquisition, are initially valued at the fair value on the date of acquisition irrespective of the extent of any minority interest. The surplus represented by the difference between the acquisition value and the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. If the acquisition cost is below the fair value of the subsidiary company's net assets, the difference is recognized directly in the income statement.

Internal Group 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 a proof that an impairment needs exists in relation to the assumed assets. Where appropriate, the accounting principles for subsidiaries have been changed to ensure the consistent application of the Group's principles.

In the event of different valuations 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 provision. No account, however, is taken of deferred tax on Group goodwill. During consolidation, exchange rate differences, which arose in consequence of the translation of net investment in foreign operations and from borrowing and other currency instruments which have been identified as hedges for such investments, are taken to equity. In the event that a foreign operation is sold, any such exchange rate differences in the income statement are recognized as part of the capital gain or loss.

2.3 Translation of foreign subsidiaries

All foreign subsidiaries within the Axis Group have functional currencies other than the currency in which the Group prepares its financial statements. In translating the financial statements of these subsidiaries, the current method is applied. Assets and liabilities are translated at the closing day rate on the respective closing day. Items in the income statement are translated at the exchange rate on the transaction date approximated to the average exchange rate. Translation differences are recognized directly against equity.

When the Parent Company or other Group company in the Axis Group carries out hedging measures to offset and protect exchange rate

differences on net investment in a subsidiary, the exchange rate difference on their hedging instrument is recognized against the equivalent translation difference for the subsidiary.

2.4 Inventories

Goods for resale are valued at the lower of cost (cost of the acquisition of the asset or production excluding customs and freight) and the net realisable value (market value less estimated selling expenses) on the closing date using the FIFO principle. Internal profits on sales between Group companies are eliminated.

2.5 Receivables

Receivables are recognized at the amount which it is expected will be received. Receivables in foreign currencies are valued at the closing day rate.

2.6 Tangible assets

Tangible assets are recognized at acquisition value after deduction of accumulated depreciation according to plan. The acquisition value includes expenditure which can be directly attributed to the acquisition of the asset. The acquisition value may also include transfers from equity of gains/losses from cash flow hedging, which fulfil the conditions for hedge accounting, in respect of purchases of tangible assets in foreign currency. In the event that the recognized value of an asset exceeds its estimated recoverable amount, the asset is impaired immediately to its recoverable amount.

Depreciation according to plan is calculated on the original acquisition values and is based on the estimated useful life of the assets as follows:

Plant and equipment	3–10 years
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2.7 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 the production of identifiable and unique software products which are 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 valuation of fair value. Where an asset's recognized value exceeds its estimated recoverable amount, the asset is immediately impaired to its recoverable amount.

The development of new platforms is capitalized, with effect from and including fiscal year 2002, continuously over the development period, and is impaired on the basis of 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 to different network applications are not capitalized. Expenditure on research is charged to results in the year in which it is incurred.

Depreciation according to plan is calculated on the original acquisition values and is based on the estimated useful life of the assets in accordance with the following:

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

2.8 Impairment of assets

Assets which have an undetermined useful life 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 value may not actually be recoverable. An impairment is made by the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling expenses and its value in use. In carrying out an impairment test, assets are grouped at the lowest level which has 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.

2.9 Cash and cash equivalents

Cash and cash equivalents are defined as cash, bank balances and other short-term investments with maturities of less than three months

2.10 Financial instruments

Financial instruments are classified into the following categories: financial assets valued at fair value via the income statement, loan receivables and accounts receivable, financial instruments which are to be held to maturity and financial assets which are available for sale. The classification is dependent on the aim for which the instrument was acquired. Management determines the classification of instruments at the first accounting date, and reviews this decision at every accounting date. All financial instruments are recognized from the transaction date.

(a) Financial assets valued at fair value via the income statement

This category has two subcategories: financial assets which are held for trading, and financial assets which from acquisition are attributed to the category valued at fair value via the income statement. A financial asset is to be classified in this category if it was acquired primarily with the aim of being sold in the short-term or if this classification is determined by the management. Derivative instruments are also categorised as being held for trading unless they are identified as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(b) Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with established or ascertainable payments which are not listed on 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 a maturity date of more than 12 months after the balance sheet date, which are classified as fixed assets. Loan receivables and accounts receivable are included in the Accounts receivable and other receivables item in the balance sheet (see note 13 Accounts receivable and other receivables).

(c) Financial assets which are to be held to maturity

Financial instruments which are to be held to maturity are non-derivative financial assets with established or ascertainable payments and an established term which the Group's management has the intention and ability to hold until maturity. During the fiscal year, Axis did not hold any instruments belonging to this category.

(d) Financial assets which are available for sale

Financial assets which are available for sale are non-derivative assets which are either assigned to this category or which have not been classified in any of the other categories. They are included in fixed assets unless the management intends to dispose of the asset within twelve months of the balance sheet date. During the fiscal year, Axis did not hold any instruments belonging to this category.

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 each balance sheet date, 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.

2.11 Provisions

Provisions for legal requirements 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.

2.12 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 valued at their nominal amount in accordance with the tax regulations and the tax rates adopted or announced and which there is a considerable degree of certainty will be adopted. 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 taxes are estimated in accordance with the balance sheet method on all temporary differences arising between the recognized carrying amounts for tax purposes 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 carry forward are recognized to the extent that it is probable that the loss carry forward can be set off against a surplus for future taxation.

Untaxed reserves are recognized in the Parent Company due to the connection between recognition and taxation.

2.13 Cash flow statement

The cash flow statement for the Group 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 transactions which do not involve receipts or disbursements. The term cash and cash equivalents refers to cash balances and bank funds, as well as to short-term investments with a maturity of less than three months. All items included in cash and cash equivalents can be readily converted to cash.

2.14 Leasing

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

2.15 Income 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 internal Group sales.

Licensing revenues are recognized as income in accordance with the financial effects of the agreement in question.

The recognition of interest income is allocated over the term in question.

2.16 Borrowing costs

All borrowing costs are recognized as an expense as they arise.

2.17 Share-based payments

The Axis Group has outstanding options programs for its employees in the USA. In the case of the programs issued to staff in the USA, the stock options are recognized as an expense equal to the fair value of the options as they are assigned to the employees during the term of the stock option rights. On the acquisition of stock options by employees, the funds are transferred to restricted reserves. When the options are exercised, the share capital is increased by the nominal value of every newly-issued share and the associated premium is transferred to the share premium reserve.

2.18 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 pension obligations in respect of white-collar staff in Sweden are secured through insurance with the insurance company, SPP. According to the Swedish Financial Accounting Standard Council's Emerging Issues Task Force's statement URA 42, this is a defined benefit plan which covers a number of employers. For fiscal year 2006, the company does not have access to the information required to allow this plan to be recognized as a de-

defined benefit plan. The pension obligations are, therefore, recognized as a defined contribution plan.

2.19 Fair value in respect of financial assets and liabilities

Recognition is at acquisition value, with the exception of financial instruments, which are valued at fair value. No significant differences exist between the recoverable amount and the fair value.

2.20 New accounting principles from 2008

Axis' preliminary judgement is that the new recommendations which take effect from January 2008 will not affect the formulation of and information in the 2008 annual report to any significant degree.

2.21 Important estimations and assumptions for accounting purposes

The Group generally offers a three year guarantee on its network products. The management makes an estimation of the provision required for future guarantee requirements based on information regarding historical guarantee requirements. The provision also includes products with guarantee periods shorter than three years.

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

Through its operations, Axis is exposed to a number of different financial risks: a) market risk (including currency risk, interest rate risk and pricing 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 minimise potential adverse effects on the Group's financial results. The Group uses derivative instruments to hedge certain risk exposures.

a) Market risk

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 currency risk, interest-rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investment of surplus liquidity.

Axis' finance policy defines how currency risk should be minimized. Currency risk is divided into two main groups: a) Transactions 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.

Under the finance policy, transaction risk is to be minimised through currency hedging all of the next twelve months' expected net cash flow. Currency hedging for the next two months will take place within the range 60-100 percent of exposure, and for the next 3-12 months within the range 0-50 percent. 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 0.5 million. 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 minimise the risk of negative effects, the finance policy prescribes that 80-100 percent of the exposure is to be hedged. During 2007, net investment in subsidiaries in Japan and the USA was hedged.

The value of forward contracts, currency swaps and currency options is calculated with the assistance of current spot and forward rates on the balance sheet date. A summary is presented below of cash flow hedges for expected flows in 2008 and hedges of net investment as at Dec 31, 2007 and Dec 31, 2006.

Position Dec 31, 2007

Currency type	Net investment			Cash flow hedges		
	Exposure	Total derivative	Hedged portion	Exposure	Total derivative	Hedged portion
EUR	-	-	-	65 937	31 850	48 %
JPY	161 085	130 000	81 %	-	-	-
USD	13 965	11 200	80 %	39 695	13 000	33 %

Position Dec 31, 2006

Currency type	Net investment			Cash flow hedges		
	Exposure	Total derivative	Hedged portion	Exposure	Total derivative	Hedged portion
EUR	-	-	-	42 129	22 500	53 %
JPY	157 563	130 000	83 %	-	-	-
USD	10 192	8 200	80 %	19 543	12 600	64 %

Axis conducts a monthly effectiveness test to assess if the requirements for hedge accounting under IAS 39 are complied with. During 2007, all tests have shown that Axis lies within the allowed range for effectiveness in outstanding hedges.

Sensitivity analysis

The table below indicates the effect of the most important factors on Axis' results for fiscal year 2007. Apart from currency exposure, the factors assessed as having the greatest effect on results are purchase prices and salary expenses.

Factor	Change, %	Effect on operating result, SEK M
Currency, SEK/USD	+/-5	+/- 11
Currency, SEK/EUR	+/-5	+/- 29
Purchases	+/-5	+/- 37
Personnel	+/-5	+/-18

Pricing risk arises when the Group's costs rise as a result of our suppliers' price increases on goods and services. By using several suppliers, we ensure that our purchasing prices are market competitive.

The Board has defined interest rate risk as the risk that fluctuations in market interest rates have a negative impact on the Group's results. The finance policy stipulates that the Treasury Department must minimise interest-rate cost as much as possible. The average fixed-term period for short-term financing must not exceed six months. Under the finance policy, the Treasury Department may deploy interest rate derivatives to ensure that interest rates on credit facilities do not fluctuate by more than two percentage points over one year. The interest-rate risk for 2007 was marginal, since credit facilities were unutilized throughout the year.

Surplus cash and cash equivalents are invested in fixed-interest securities with a maximum remaining term of two years, and an average term of no more than six months. On December 31, 2007, SEK 190 million was invested in fixed-interest securities with an average term of 1 month. The corresponding figures on December 31, 2006 were SEK 225 million and 1.1 months. The interest rate risk in the surplus cash and cash equivalents is handled so that the average interest rate on all investments must not exceed 6 months.

b) Credit risk

Credit risk is handled at a Group level. Credit risk arises through cash and cash equivalents, derivative instruments and balances at banks and financial institutions and through credit exposures to customers, including outstanding receivables and deals agreed. Only banks and financial institutions that are independent valuers, which have received the long-term rating A or better from external raters, in accordance with Moodys or Standard & Poors, are accepted as counterparties. The short-term rating must be Moodys P1 or Standard & Poors K1 or A-1. If customers have been credit assessed by external 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 experiences and other factors. Indi-

vidual 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 followed up regularly. Advance payments or letters of credit are employed when the risk is considered too high.

For risk assessment of accounts receivable 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 ten percent of sales in cash and cash equivalents or unutilized credit facilities. On December 31, 2007, Axis had SEK 384 M in cash and cash equivalents, as well as unutilized credit facilities of SEK 210 M, compared with SEK 313 M and SEK 60 M respectively on December 31, 2006. The interest rate on unutilized credit facilities was determined on December 31, 2007 on the basis of the changes in STIBOR.

The unutilized credit facilities of SEK 10 M and SEK 200 M respectively apply up to and including May 31, 2008 and June 30, 2009, 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 (result 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 the result before net financial items, taxes, depreciation and impairments of fixed assets) measured every end of quarter as a rolling twelve-month value does not exceed 2; c) the equity/assets ratio (the Group's equity through the balance sheet total) does not fall below 35 %. During 2007 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

Axis holds financial derivative instruments, primarily currency futures, with the aim of protecting sales and purchases 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. 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) Hedging of fair value

Changes in the fair value of derivatives identified as hedges of fair value, and which fulfil the conditions for hedge accounting, are recognized in the income statement along with changes in fair value of the asset or liability which gave rise to the hedged risk.

(b) Cash flow hedges

Axis also holds financial derivative instruments, primarily currency forward contracts, with the aim of protecting sales and purchases in foreign currencies. Changes in the fair value of derivative instruments which are identified as cash flow hedges, and which fulfil the requirements for hedge accounting, are recognized in equity. The accumulated amount in equity is reversed to the income statement in the periods in which the hedged item affects results.

(c) Hedging of net investment, equity hedge

Hedging of net investment in foreign operations is 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 are recog-

nized in equity, gains or losses attributable to the ineffective part are 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 assessing the fair value of a hedge, the valuation effects from fluctuations in exchange rates are taken to equity, and the interest component is taken to the income statement.

3.3 Calculation of fair value

The fair value of financial instruments which are traded on an active market, such as market-listed derivative instruments, is based on listed market prices on the balance sheet date. 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 for 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 on the balance sheet date. Other techniques, such as discounted cash flow calculations, 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 on the balance sheet date.

The nominal value, reduced by any assessed credits, of accounts receivable and accounts payable is assumed to equal their fair value. The fair value of financial liabilities is calculated, 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.

3.4 Handling of capital risk

The Group's goal in relation to the capital structure is to safeguard the Group's ability to pursue its operations in order that it can continue to generate a return to the shareholders and benefit to other stakeholders and to maintain an optimal capital structure in order to keep down the capital costs.

To maintain or adjust the capital structure, the Group can change the dividend paid to the shareholders, issue new shares or sell assets, reduce or increase indebtedness.

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

Note 4 Segment information

Business segments usually 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 organisations, as well as customer groups, are almost identical for all products. In light of this, the Axis Group recognises only one primary segment which is the common technology platform. Accordingly, the segment information is covered by 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	2007	2006	2005
EMEA (Europe, the Middle East, Africa)	800 281	581 412	410 387
North & South America	714 258	485 202	337 162
Asia	156 736	135 877	147 517
	1 671 275	1 202 491	895 066

The recognized value of assets and investments is divided by geographical area according to where the assets are located when they amount to at least ten percent of the Group's total assets.

	Assets			Investments		
	2007	2006	2005	2007	2006	2005
EMEA (Europe, the Middle East, Africa)	442 969	376 409	237 381	26 490	36 645	29 844
North & South America	69 698	75 239	69 204	1 006	799	206
Asia	323 010	256 163	169 736	-	779	30
	835 677	707 811	476 321	27 496	38 223	30 080

Note 5 Fixed assets

	Plant & equipment	Capitalized development costs	Rights/customer register	Other	Total
As at January 1, 2005					
Acquisition value	77 316	32 614	12 100	7 686	52 400
Accumulated depreciation and impairment	-69 583	-	-6 117	-7 675	-13 792
Carrying amount	7 733	32 614	5 983	11	38 608

Jan 1–Dec 31, 2005					
Carrying amount brought forward	7 733	32 614	5 983	11	38 608
Revaluation	130	-	-	-	-
Acquisitions	5 970	24 110	-	-	24 110
Sales and disposals	-104	-	-	-	-
Depreciation and impairment	-4 979	-4 548	-2 991	-11	-7 550
Carrying amount carried forward	8 750	52 176	2 992	-	55 168

As at Dec 31, 2005					
Acquisition value	83 661	56 724	12 100	7 686	76 510
Accumulated depreciation and impairment	-74 911	-4 548	-9 108	-7 686	-21 342
Carrying amount	8 750	52 176	2 992	-	55 168

Jan 1–Dec 31, 2006					
Carrying amount brought forward	8 750	52 176	2 992	-	55 168
Revaluation	-215	-	-	-	-
Acquisitions	14 458	15 217	8 548	-	23 765
Sales and disposals	-17	-	-	-	-
Depreciation and impairment	-5 019	-10 914	-4 653	-	-15 567
Carrying amount carried forward	17 957	56 479	6 887	-	63 366

As at Dec 31, 2006					
Acquisition value	90 134	71 941	20 648	7 686	100 275
Accumulated depreciation and impairment	-72 177	-15 462	-13 761	-7 686	-36 909
Carrying amount	17 957	56 479	6 887	-	63 366

Jan 1–Dec 31, 2007					
Carrying amount carried forward	17 957	56 479	6 887	-	63 366
Revaluation	-93	-	-	-	-
Acquisitions	14 752	13 062	-	-	13 062
Sales and disposals	-146	-	-	-	-
Depreciation and impairment	-8 249	-10 892	-2 850	-	-13 742
Carrying amount brought forward	24 221	58 649	4 037	-	62 686

As at Dec 31, 2007					
Acquisition value	103 758	86 519	20 648	-	107 167
Accumulated depreciation and impairment	-79 537	-27 870	-16 611	-	-44 481
Carrying amount	24 221	58 649	4 037	-	62 686

Note 6 Costs divided by cost type

	2007	2006	2005
Depreciation and impairment (note 5)	-21 992	-20 586	-12 529
Expenses for remuneration to employees (note 19)	-365 744	-295 205	-257 349
Cost of purchasing and handling goods for resale	-747 908	-543 484	-412 093
Other external costs	-174 792	-122 994	-82 185
	-1 310 436	-982 269	-764 156

Note 7 Audit fees

	2007	2006	2005
Audit fees to Öhrlings PricewaterhouseCoopers	869	664	615
Other fees to Öhrlings PricewaterhouseCoopers	352	538	430
Audit fees to other auditors	726	734	599
	1 947	1 936	1 644

The term "Audit assignment" refers to auditing of the annual report and the accounts, as well as the administration by the Board of Directors and President and CEO, other tasks which fall upon the company's auditors to carry out, and advice or other assistance resulting from observations made during such audit or in the performance of the other tasks referred to. Everything else is "Other fees". The audit fees and other fees paid to the Parent Company's auditors have been charged in their entirety to the subsidiary company, Axis Communications AB.

Note 8 Other income and changes in value

	2007	2006	2005
<i>Financial assets valued at fair value</i>			
Fair value, realized and unrealized losses	13 546	2 142	2 217
<i>Derivative instruments</i>			
Cash flow hedges	-13 551	-3 552	-6 704
Interest income	7 236	3 944	1 769
	7 231	2 534	-2 718

Note 9 Income tax

	The Group			The Parent Company		
	2007	2006	2005	2007	2006	2005
Current tax	-81 904	-25 879	-4 093	-71 189	-20 274	-
Deferred tax	-26 699	-39 146	-32 361	3 319	-36 372	-29 083
	-108 603	-65 025	-36 454	-67 870	-56 646	-29 083
Recognized profit before tax	367 358	222 406	127 541	238 548	199 742	100 786
Theoretical tax 28 percent	-102 860	-62 274	-35 711	-66 793	-55 928	-28 220
Recognized tax	-108 603	-65 025	-36 454	-67 870	-56 646	-29 083
Difference between theoretical and recognized tax	-5 743	-2 751	-743	-1 077	-718	-863
<i>Due</i>						
Non-deductible expenses	-1 234	-837	-695	-1 077	-718	-900
Taxable temporary differences	-1 227	-108	-560	-	-	-
Differences in tax rates	-3 268	-1 789	-927	-	-	-
Deferred tax consequences in respect of Group adjustments and changes in Group structures	-71	-57	-162	-	-	-
<i>Deductible</i>						
Taxable temporary differences	38	23	60	-	-	37
Deductible temporary differences	19	17	1 541	-	-	-
	-5 743	-2 751	-743	-1 077	-718	-863

Note 10 Earnings per share*Earnings per share before dilution*

Earnings per share before dilution are calculated by dividing the earnings attributable to the Parent Company's shareholders by a weighted average of the number of outstanding ordinary shares during the period.

	The Parent Company		
	2007	2006	2005
Earnings attributable to the Parent Company's shareholders	258 755	157 381	91 087
Weighted average of the number of outstanding ordinary shares, thousands	69 315	69 084	68 906
Earnings per share before dilution, SEK	3.73	2.28	1.32

Earnings per share after dilution

In calculating earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilution effect of all potential ordinary shares. The Parent Company has, on a number of occasions, adopted share option programs for staff, and these constitute the only potential dilution effect. For the share options, a calculation is made of the number of shares which could have been purchased at fair value (calculated as the average market price for the year of the Parent Company's shares), for an amount equivalent to the monetary value of the subscription rights linked to the outstanding share options. The number of shares as calculated in accordance with the above is compared with the number of shares which would have been issued on the assumption that the share options were exercised. If all outstanding share option programs were exercised in their entirety, the maximum dilution would be 158,350 shares.

	The Parent Company		
	2007	2006	2005
Earnings attributable to the Parent Company's shareholders	258 755	157 381	91 087
Weighted average of the number of outstanding ordinary shares, thousands	69 315	69 084	68 906
Potential dilution effect of outstanding share options	111	136	215
Weighted average of the number of ordinary shares after dilution, thousands	69 426	69 220	69 121
Earnings per share after dilution, SEK	3.73	2.27	1.32

Note 11 Deferred taxes

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:

	The Group			The Parent Company		
	2007	2006	2005	2007	2006	2005
<i>Deferred tax assets ¹⁾</i>						
Tangible and intangible fixed assets	-	839	-	-	-	-
Financial assets	532	-	1 717	-	-	-
Inventories	2 149	2 526	2 471	-	-	-
Accumulated loss carry forwards ²⁾	527	598	34 767	-	-	34 724
Other items	456	-	-	-	-	-
	3 664	3 963	38 955	-	-	34 724
<i>Deferred tax liabilities</i>						
Tangible and intangible assets	1 826	-	259	-	-	-
Financial assets	-	2 378	-	-	-	-
Tax allocation reserve	30 487	6 758	-	-	-	-
Other items		20	-	-1 671	1 648	-
	32 313	9 156	259			
Deferred tax assets/tax liabilities	-28 649	-5 193	38 696	1 671	-1 648	34 724

¹⁾ Deferred tax liabilities to the same tax authority are recognized net in deferred tax assets.

²⁾ Accumulated loss carry forwards correspond in all essentials to the Group's total deficit for tax purposes. These loss carry forwards will not expire in the near future.

Note 12 Inventories

	The Group		
	2007	2006	2005
Goods for resale	166 131	151 690	117 811
	166 131	151 690	117 811

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 9,102,000 (10,652,000).

Note 13 Accounts receivable and other receivables

	The Group		
	2007	2006	2005
Accounts receivable	239 530	203 922	143 402
Provision for fall in value of receivables	-2 212	-1 303	-676
Accounts receivable – net	237 318	202 619	142 726
Other receivables	15 205	11 860	9 521
Prepaid expenses and deferred income	20 666	18 221	15 123
	273 189	232 700	167 370

Age distribution of Accounts Receivable:

	The Group		
	2007	2006	2005
Not due	170 992	142 293	100 063
Of which reserved	-	-	-
Due for up to 3 months	63 665	57 416	40 544
Of which reserved	-	-131	-
Due over 3 months	4 873	4 213	2 795
Of which reserved	-2 212	-1 172	-676
	237 318	202 619	142 726

The verified customer losses during 2007 totaled SEK 1,058,000 (1,842,000).

Note 14 Other financial assets

	The Group		
	2007	2006	2005
Aptilo Networks AB	1 600	1 600	1 600
Other	2 469	2 640	2 990
	4 069	4 240	4 590

In connection with the transition to IFRS, the holding in Aptilo Networks AB was valued on January 1, 2005 at SEK 2,340,000.

All non-current receivables fall due within five years of the balance sheet date.

Note 15 Cash and cash equivalents

	The Group			The Parent Company		
	2007	2006	2005	2007	2006	2005
Cash and bank balances	194 130	88 466	127 225	106 704	28 263	45 928
Short-term bank investments	190 000	225 000	60 000	190 000	225 000	60 000
	384 130	313 466	187 225	296 704	253 263	105 928

Credit rating of cash and cash equivalents:

	The Group		The Group		The Group	
	2007	Rating 2007	2006	Rating 2006	2005	Rating 2005
Nordea	360 323	AA-	222 740	AA-	86 369	AA-
Skandinaviska Enskilda Banken	9 474	A+	36 752	A+	87 708	A
Svenska Handelsbanken	1 706	AA-	41 480	AA-	60	
Other	12 627	N/A	12 494	N/A	13 088	N/A
	384 130		313 466		187 225	

The effective rate of interest for short-term bank investments was 4.3 percent (3). These investments have an average due date of 28 days. Axis has an unutilized credit facility of SEK 210 million (SEK 60 million).

Note 16 Share option scheme for employees

Axis AB currently has an outstanding option program covering the staff in the USA. The program was introduced in 2001, and is aimed at all employees in the Axis Group. The scheme is aimed at encouraging long-term commitment on the part of the staff to the Group's operational and profit growth. Employees in the USA, are offered the American equivalent, "Stock options".

In the US program, an option can be exercised for a new issue of shares after the date on which the option was received by the employee. Allocation takes place after three 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. At the moment, just the program from 2001 remains, which relates to staff in the USA.

The subscription price per share is 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 Nordic Exchange, Large Cap, Information Technology official price list for shares in the company calculated over a period of five trading days. The share options may be transferred and do not expire if the employee leaves the company. The share options can 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 are fully exercised. The allocation of shares through the exercise of options will take the form of newly-issued shares.

Recipients	Due date	Subscription price	Acquisition price	Funds received	Number of options	Number	Number of options	Number of	Full dilution
					Dec 31, 2006	exercised	Dec 31, 2007	shares	
Staff in the USA	Sep 30, 2010	48.00	15.50	2 669 875	169 650	11 300	158 350	158 350	0.23 %
				2 669 875	169 650	11 300	158 350	158 350	0.23 %

The funds paid to the Parent Company for the share options amount in total to SEK 12,500,000. 119,500 share options were exercised during 2007 fiscal year. During 2007, the program from 2002 expired above the target price at SEK 26. The average volume-weighted price of the shares during 2007 was SEK 140.54 per share.

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

The company's share capital consists of 69,372,200 (69,252,700) shares of the same type and class with a par value of 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.

Note 17 Other reserves in Equity

	Hedge reserve	Translation reserve	Total
Balance brought forward as at Jan 1, 2005	1 205	7 251	8 456
Cash flow hedges	-2 787	-	-2 787
Hedging of net investment, equity hedge	-7 983	-	-7 983
Tax relating to cash flow hedges	672	-	672
Tax relating to the hedging of net investment, equity hedge	1 223	-	1 223
Translation differences	-	17 334	17 334
Balance carried forward as at Dec 31, 2005	-7 670	24 585	16 915
Balance brought forward as at Jan 1, 2006	-7 670	24 585	16 915
Cash flow hedges	4 749	-	4 749
Hedging of net investment, equity hedge	9 127	-	9 127
Tax relating to cash flow hedges	-1 330	-	-1 330
Tax relating to the hedging of net investment, equity hedge	-2 555	-	-2 555
Translation differences	-	-9 461	-9 461
Balance carried forward as at Dec 31, 2006	2 321	15 124	17 445
Balance brought forward as at Jan 1, 2007	2 321	15 124	17 445
Cash flow hedges	-7 636	-	-7 636
Hedging of net investment, equity hedge	5 676	-	5 676
Tax relating to cash flow hedges	2 138	-	2 138
Tax relating to the hedging of net investment, equity hedge	-506	-	-506
Translation differences	-	-3 387	-3 387
Balance carried forward as at Dec 31, 2007	1 993	11 737	13 730

The amount in respect of cash flow hedges which has been transferred from equity to the income statement during the year totaled SEK 3,389,000 (352,000).

Note 18 Borrowing

	The Group		
	2007	2006	2005
Long-term portion	5 713	5 780	6 780
	5 713	5 780	6 780

Note 19 Personnel

Distribution of the average number of employees:

	Women			Men			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
The Parent Company	-	-	-	-	-	-	-	-	-
Denmark	-	-	-	1	1	2	1	1	2
France	7	5	4	7	9	9	14	14	13
Japan	7	7	7	6	6	8	13	13	15
Netherlands	1	1	1	4	3	3	5	4	4
Singapore & Asia Pacific	12	12	11	23	17	16	35	29	27
Spain & Italy	6	4	4	15	10	8	21	14	12
UK	3	2	1	8	6	4	11	8	5
Sweden	80	68	57	248	227	195	328	295	252
South Africa	2	2	-	5	2	-	7	4	-
Germany	5	4	2	8	4	6	13	8	8
USA	14	9	8	45	28	15	59	37	23
Group total	137	114	95	370	313	266	507	427	361

Salaries and remuneration have totaled:

	Board & CEO			Other			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
The Parent Company	-	-	-	-	-	-	-	-	-
Denmark	-	-	-	719	691	980	719	691	980
France	-	-	-	11 267	8 495	10 488	11 267	8 495	10 488
Japan	-	-	-	5 671	6 983	8 572	5 671	6 983	8 572
Netherlands	-	-	-	3 050	2 423	2 737	3 050	2 423	2 737
Singapore & Asia Pacific	-	-	-	10 530	8 826	9 365	10 530	8 826	9 365
Spain & Italy	-	-	-	9 557	6 123	5 918	9 557	6 123	5 918
UK	-	-	-	9 132	6 611	4 621	9 132	6 611	4 621
Sweden	5 065	7 984	4 504	171 019	141 441	113 125	176 084	149 425	117 629
South Africa	-	-	-	2 090	2 031	-	2 090	2 031	-
Germany	-	-	-	10 197	5 568	5 874	10 197	5 568	5 874
USA	-	-	-	31 929	23 215	21 572	31 929	23 215	21 572
Group total	5 065	7 984	4 504	265 161	212 407	183 252	270 226	220 391	187 756

Salaries and remuneration to the Board of Directors and the President and CEO were paid through the subsidiary company, Axis Communications AB. Four of the members of the Board and the President and CEO are, as in preceding years, men. The fifth 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)		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
The Parent Company	-	-	-	-	-	-	-	-	-
Subsidiaries	270 226	220 391	187 756	95 518	74 814	69 593	20 147	19 816	16 201
The Group total	270 226	220 391	187 756	95 518	74 814	69 593	20 147	19 816	16 201

Remuneration to the Board of Directors:

	The Group		
	2007	2006	2005
Directors' fees	799	755	688
	799	755	688

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 400,000 is payable to the Chairman of the Board, and SEK 133,000 to each Director who is not an employee of the Axis Group. No Director's fee is payable to Directors 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 pensions. The term senior executives refers to the seven people (preceding year five) who, along with the President and CEO, constitute the Group management team.

The apportionment between basic salary and bonus will be proportionate to the executive's responsibility and authority. For the President and CEO, the maximum bonus was SEK 5 million, during the 2007 fiscal year. For the other key management personnel, the maximum bonus was SEK 1,250,000 per person. For the 2008 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 100 percent of an annual salary. The bonuses for the President and CEO, and the senior executives are based on the financial targets for the Group.

The results for the 2007 fiscal year have been charged with SEK 2,350,000 in bonus for the President and CEO and SEK 2,828,000 in total to the other senior executives. Of the eight senior executives (preceding year six), six are men (preceding year five) and two are women (preceding year one).

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 expenses	Other remuneration	Total
Lars-Erik Nilsson (Chairman of the Board)	400	-	-	-	-	400
Charlotta Falvin	133	-	-	-	-	133
Olle Isberg	133	-	-	-	-	133
Göran Jansson	133	-	-	-	-	133
Martin Gren (employed by Axis)	804	51	-	198	9	1 062
Ray Mauritsson (CEO)	1 860	2 350	2	1 214	42	5 468
Other senior executives (seven)	7 133	2 828	24	1 849	148	11 982
	10 596	5 229	26	3 261	199	19 311

The bonus shown in the table refers to the bonus due for the fiscal year 2007, which will be paid during the 2008 fiscal year. The bonus in respect of the 2006 fiscal year was paid during 2007 and amounted to SEK 5,000,000 for the President and CEO, and a total of SEK 6,325,000 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 premium amounts to 35 percent of the pensionable salary 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.

Other senior executives are covered by the ITP occupational pension, with the retirement age of 65.

Holdings of share options as at December 31, 2007

	From the period before 2007	Maturity/subscription for shares during 2007
	Number, Dec 31, 2007	Number
The Board of Directors	-	-
President and CEO	-	-
Other senior executives	-	-6 000
	-	-6 000

During 2007, neither the President and CEO nor other senior executives acquired share options in Axis AB. Of the total change in 2007, all share options were converted to shares.

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 pension obligations in respect of white-collar staff in Sweden are secured through the insurance company, SPP. According to the Swedish Financial Accounting Standard Council's Emerging Issues Task Force's statement URA 42, this is a defined benefit plan which covers a number of employers. For fiscal year 2007 the company does not have access to the information required to allow this plan to be recognized as a defined benefit plan. The ITP occupational pension plan is secured through the insurance company, SPP, and is, therefore, recognized as a defined-contribution plan. The charges for pension insurance policies with SPP totaled SEK 18 (15) M during the year. SPP's surplus may be allocated to the policyholders and/or the beneficiaries.

	The Group		
	2007	2006	2005
Costs for defined contribution plans	20 928	21 294	14 441
Cost of special employer's contribution	4 833	4 082	3 261
	25 761	25 376	17 702

Severance pay

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, severance pay equivalent to one year's salary is payable. The severance pay is not set off against other income. In the event that the President and CEO gives notice, no severance pay will be payable.

A mutual period of notice of three months applies between the company and six of the other senior executives. For the seventh senior executive, a mutual period of notice of six months applies. If notice of termination is given by the company, salary will be paid during the notice period. This amount will not be set off against other income. In the event that the senior executive gives notice, salary will be paid during the notice period.

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 staff which prescribe that remuneration shall be payable if they give notice; are served with notice without reasonable grounds; or if their employment is terminated as a consequence of a public take over 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 2007 was determined by the Board on the basis of the Remuneration Committee's recommendation. Remuneration to other senior executives was decided by the President and CEO in consultation with the Remuneration Committee. The Annual General Meeting on April 18, 2007, resolved to adopt the Board's proposal for guidelines regarding determination of salary and other remuneration to the CEO and other senior executives.

Note 20 Other provisions

	The Group		
	2007	2006	2005
Anticipated additional purchase price, software rights	-	-	3 794
Guarantee reserve	3 247	-	-
Anticipated additional purchase price, customer register	2 200	4 633	-
	5 447	4 633	3 794

	The Group		
	2007	2006	2005
Provisions brought forward	4 633	3 794	3 578
Change during the year	814	839	216
Provisions carried forward	5 447	4 633	3 794

Note 21 Accounts payable and other liabilities

	The Group		
	2007	2006	2005
Accounts payable	127 755	117 464	68 635
Other liabilities	7 082	12 483	7 175
Social security contributions and other taxes	17 493	14 468	18 902
Accrued expenses	138 751	109 149	66 440
	291 081	253 564	161 152

Note 22 Derivative instruments

2006	The Group		
	Assets	Liabilities	Net
Currency swaps – equity hedge	254	-73	181
Currency futures – equity hedge	540	-43	497
	794	-116	678
Currency futures – cash flow hedge	5 208	-	5 208
	6 002	-116	5 886
2007	Assets	Liabilities	Net
Currency swaps – equity hedge	7	-1 258	-1 251
Currency futures – equity hedge	27	-	27
	34	-1 258	-1 224
Currency futures – cash flow hedge	1 934	-6 678	-4 744
	1 968	-7 936	-5 968

Note 23 Results from participations in Group companies

	The Parent Company		
	2007	2006	2005
Group contributions received	321 361	195 161	129 872
Impairment of shares in subsidiaries (related to group contribution made and shareholders' contribution made)	-3 316	-2 609	-2 545
	318 045	192 552	127 327

Note 24 Interest income and similar profit/loss items

	The Parent Company		
	2007	2006	2005
Interest income	7 674	4 907	1 862
Interest income from Group companies	295	253	297
Exchange rate differences	22 818	31 900	6 604
	30 787	37 060	8 763

Note 25 Interest expense and similar profit/loss items

	The Parent Company		
	2007	2006	2005
Interest expense	-133	-266	-132
Interest expense to Group companies	-1 645	-1 116	-718
Exchange rate differences	-20 967	-4 175	-32 315
Other financial expenses	-117	-143	-905
	-22 862	-5 700	-34 070

Note 26 Participations in subsidiaries

Shares owned by the Parent Company	Registered office	Corporate ID number	Share of votes and capital	Number of shares	Par value	Carrying amount		
						Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Axis Communications AB	Sweden, Lund	556253-6143	100 %	1 600	160	342	342	342
Gren & Karlsson Firmware AB	Sweden, Lund	556304-6209	100 %	500	100	50	50	50
Axis Technologies AB	Sweden, Lund	556485-0765	100 %	500	100	50	50	50
Axis Alfa AB	Sweden, Lund	556599-4547	100 %	500	100	100	100	100
Axis Beta AB	Sweden, Lund	556599-4588	100 %	500	100	100	100	100
Axis Gamma AB	Sweden, Lund	556599-4562	100 %	500	100	100	100	100
Total						742	742	742

Shares owned by subsidiaries	Registered office	Corporate ID number	Proportion of capital
Axis Communications SA	France		100 %
Axis Communications (UK) Ltd	UK		100 %
Axis Communications GmbH	Germany		100 %
Axis Communications BV	Netherlands		100 %
Axis Attento Aps	Denmark		100 %
AxerNet Communications SA	Spain		100 %
Axis Communications (SA) (Pty) Ltd	South Africa		100 %
Axis Communications Inc	USA		100 %
Axis Communications OOO	Russia		100 %
Axis Communications S.r.l.	Italy		100 %
Axis Video Systems India Private Limited	India		100 %
Axis Communications KK	Japan		100 %
Axis Communications (S) Pte Ltd	Singapore		100 %
Axis Communications Korea Co. Ltd.	Korea		100 %
Axis Communications Ltd	China, Hong Kong		100 %
Shanghai Axis Communication Equipment Trading Co. Ltd	China, Shanghai		100 %
Axis Communications Pty Ltd	Australia		100 %
Axis Communications Ltd	Taiwan		100 %
Axis Network AB	Sweden, Lund	556505-3450	100 %
Axis Peripherals AB	Sweden, Lund	556505-1785	100 %

Note 27 Contingent liabilities

	The Parent Company		
	2007	2006	2005
Contingent liabilities on behalf of other Group companies	6 006	6 003	7 973
	6 006	6 003	7 973

Note 28 Cash flow from operating activities

	The Group			The Parent Company		
	2007	2006	2005	2007	2006	2005
Net profit/loss for the period before financial items	368 070	223 156	128 192	-2 673	-35	-2 439
Adjusted for:						
– depreciation on tangible assets	13 742	5 019	4 979	-	-	-
– depreciation on intangible assets	8 250	15 568	7 550	-	-	-
– other items not affecting liquidity	-5 756	3 680	5 160	-	-	-
Change in working capital						
– inventories	-14 441	-33 879	-32 023	-	-	-
– accounts receivable and other receivables	-34 603	-71 475	-26 978	-199 241	-21	49 437
– accounts payable and other liabilities	43 485	91 681	43 852	319 386	35	-1 889
Cash flow from operating activities	378 747	233 750	130 732	117 472	-21	45 109

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 share options.

SIGNATURES

The Board of Directors and the President affirm that the consolidated financial statements have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and provide a true and fair view of the Group's financial position and results. The Financial Statements have been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the Parent Company's financial position and results.

The statutory administration report for the Group and the Parent Company provides a true and fair overview of the performance of the Group's and the Parent Company's operations, financial position and results and also describes significant 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 17, 2008.

Lund, January 31, 2008

Lars-Erik Nilsson
Chairman of the Board

Ray Mauritsson
President & CEO

Göran Jansson

Martin Gren

Charlotta Falvin

Olle Isberg

Our audit report was submitted on January 31, 2008.

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 2007. The company's annual accounts and the consolidated accounts are included in the printed version on pages 30–52. 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 IFRS 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 IFRS 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. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and 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, January 31, 2008
Öhrlings PricewaterhouseCoopers AB

Bertil Johanson
Authorized Public Accountant
Chief Auditor

MULTI-YEAR SUMMARY

INCOME STATEMENT (SEK, thousand)	2002	2003	2004	2005	2006	2007
Net sales	670 277	623 637	691 481	895 066	1 202 491	1 671 275
Cost of goods and services sold	-286 270	-301 906	-331 968	-412 093	-543 484	-747 908
Gross profit	384 007	321 731	359 514	482 973	659 007	923 367
Other income and changes in value	-	-	2 663	-2 718	2 534	7 231
Selling and marketing expenses	-177 522	-165 062	-154 078	-176 289	-226 732	-307 462
Administrative expenses	-56 334	-44 766	-42 277	-53 274	-53 485	-61 673
Research and development expenses	-117 847	-111 982	-114 787	-122 500	-158 168	-193 393
Items affecting comparability	-	-	-	-	-	-
Other interest income	7 354	1 221	-	-	-	-
Other interest expense	-	-	-	-	-	-
Participation in the result of associated companies before tax	-	-	-	-	-	-
Operating profit/loss	39 658	1 142	51 035	128 192	223 156	368 070
Net financial income/expense	11 778	7 183	-760	-651	-750	-712
Profit/loss after financial items	51 436	8 325	50 275	127 541	222 406	367 358
Tax on profit/loss for the period	-15 581	-10 900	-19 732	-36 454	-65 025	-108 603
Minority participation in the results for the period	-	-	-	-	-	-
Net profit/loss for the year	35 855	-2 575	30 543	91 087	157 381	258 755
BALANCE SHEET (SEK, thousand)	02-12-31	03-12-31	04-12-31	05-12-31	06-12-31	07-12-31
Non current assets	122 434	132 532	118 387	107 204	85 563	90 976
Inventories	57 994	67 074	85 788	117 811	151 690	166 131
Account receivables	88 385	94 078	107 032	142 726	202 619	237 318
Other receivables	31 714	36 909	37 767	25 257	35 967	35 871
Cash and cash equivalents	129 956	102 978	121 023	187 225	313 466	384 130
Total	430 483	433 571	469 997	580 223	789 305	914 426
Equity	312 532	300 324	339 844	407 262	501 069	551 477
Minority interest	-	-	-	-	-	-
Provisions	3 826	7 081	-	-	-	-
Long-term liabilities	-	10 200	10 278	10 774	15 732	40 135
Current liabilities	114 125	115 966	119 875	162 187	272 504	322 814
Total	430 483	433 571	469 997	580 223	789 305	914 426
CASH FLOW STATEMENT (SEK, thousand)	2002	2003	2004	2005	2006	2007
Cash flow from operating activities before change in working capital	45 819	15 279	58 881	145 678	240 606	308 515
Change in working capital	-39 006	-17 119	-29 038	-15 149	-13 673	-5 559
Cash flow from operating activities	6 813	-1 840	29 843	130 529	226 933	302 956
Cash flow from investing activities	-15 404	-28 462	-14 767	-29 921	-37 992	-27 814
Cash flow from financing activities	-42 226	3 324	2 969	-34 406	-62 700	-204 478
Cash flow for the period	-50 817	-26 978	18 045	66 202	126 241	70 664
Cash and cash equivalents at the start of the period	180 773	129 956	102 978	121 023	187 225	313 466
Cash and cash equivalents at the close of the period	129 956	102 978	121 023	187 225	313 466	384 130
OPERATING CASH FLOW (SEK, thousand)	2002	2003	2004	2005	2006	2007
Profit/loss after financial items	51 436	8 324	57 069	127 541	222 406	367 358
Depreciation	13 712	9 054	10 501	12 529	20 587	21 991
Tax	-4 189	-4 071	-1 307	-44	-6 326	-75 079
Total	60 959	13 307	66 263	140 026	236 667	314 270
Change in working capital	-39 006	-17 119	-29 038	-15 149	-13 673	-5 559
Net investment	-15 404	-28 462	-14 767	-29 921	-37 992	-27 814
Operating cash flow	6 549	-32 274	22 458	94 956	185 002	280 897

KEY RATIOS	2002	2003	2004	2005	2006	2007
Net sales growth, %	-0.8	-7.0	10.9	29.4	34.3	39.0
Gross margin, %	57.3	51.6	52.0	54.0	54.8	55.2
Operating margin, %	5.9	0.2	7.4	14.3	18.6	22.0
Profit margin, %	7.7	1.3	7.3	14.2	18.5	22.0
Depreciation, SEK M	14	9	11	13	20	22
Equity, SEK M	313	300	340	407	501	551
Capital employed, SEK M	311	315	352	412	517	592
Interest-bearing liabilities, SEK M	-	10	6	7	6	6
Net interest-bearing liabilities, SEK M	-130	-93	-115	-180	-302	-390
Balance sheet total, SEK M	430	434	470	580	789	914
Return on capital employed, %	16.5	2.9	15.3	33.6	48.1	66.4
Return on total assets, %	11.7	2.1	11.3	24.4	32.6	43.2
Return on equity, %	12.6	2.0	11.5	24.6	35.3	50.3
Interest coverage ratio, multiple	24.0	13.8	67.2	196.9	297.5	517.0
Net debt/equity ratio, multiple	-0.4	-0.3	-0.3	-0.4	-0.6	-0.7
Equity/assets ratio, %	72.8	69.3	72.3	70.2	63.5	60.4
Proportion risk-bearing capital,%	73.9	69.9	72.4	70.2	64.1	63.5
Capital turnover rate, multiple	2.1	2.0	2.1	2.3	2.6	3.0
Number of employees (average for the period)	334	356	343	361	427	507
Sales per employee, SEK M	2.0	1.8	2.0	2.5	2.8	3.3
Operating profit per employee, SEK M	0.1	0.0	0.2	0.4	0.5	0.7
DATA PER SHARE	2002	2003	2004	2005	2006	2007
Profit after financial items, SEK	0.75	0.12	0.83	1.85	3.21	5.30
Cash flow, SEK	-0.74	-0.39	0.26	0.96	1.82	1.02
Equity, SEK	4.53	4.36	4.93	5.91	7.24	7.95
Share price at the close of the period	18.40	17.00	18.00	58.25	91.75	159.00
Price/equity, percent	406	390	365	986	1 268	2 000
Dividend, SEK (paid during the year)	-	0.15	-	0.50	1.00	3.00
P/E ratio	35	neg	41	44	40	43
P/S ratio	1.9	1.9	1.8	4.5	5.3	6.60
Profit per share before dilution, SEK	0.52	0.12	0.44	1.32	2.28	3.73
Profit per share after dilution, SEK	0.52	0.12	0.44	1.32	2.27	3.72
Number of shares before dilution, average, thousand	68 900	68 900	68 900	68 906	69 084	69 372
Number of shares after dilution, average, thousand	68 985	68 900	68 900	69 121	69 220	69 426
Number of outstanding shares (thousand)	68 900	68 900	68 900	68 925	69 253	69 372
Average number of shares (thousand)	68 900	68 900	68 900	68 906	69 084	69 315

DEFINITIONS

Proportion of risk-bearing capital

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

Return on equity

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

Return on capital employed

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

Return on total assets

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

Gross margin

Gross profit as a percentage of net sales.

Equity per share

Equity divided by the number of outstanding shares.

Capital turnover rate

Net sales divided by average capital employed (adjusted to twelve months for 2000).

Cash flow per share

Cash flow for the year divided by the average number of shares (adjusted to twelve months for 2000).

Net debt/equity ratio

Net interest-bearing liabilities divided by equity.

Net interest-bearing liabilities

Interest-bearing liabilities less cash and cash equivalents.

Sales per employee

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

P/E

Market value divided by profit after full tax.

P/S

Market value divided by net sales.

Profit per employee

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

Earnings per share

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

Interest coverage ratio

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

Operating margin after depreciation of tangible assets

Operating profit after depreciation of tangible assets as a percentage of sales

Operating margin

Operating profit as a percentage of sales.

Equity/assets ratio

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

Capital employed

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

Profit margin

Profit after financial items as a percentage of sales.

QUARTERLY DATA

Invoicing per product group (SEK thousand)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007
Video	219 598	249 253	268 667	324 092	309 160	368 156	412 737	439 792	1 529 845
Print	27 856	24 192	20 939	22 326	18 734	29 630	15 344	15 385	79 093
Scan	4 113	6 230	6 946	9 711	4 599	8 459	9 644	17 739	40 441
Other	5 514	3 397	4 767	4 890	5 672	4 043	6 517	5 665	21 896
Total	257 081	283 072	301 319	361 019	338 165	410 288	444 242	478 581	1 671 275

Invoicing per region (SEK thousand)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007
EMEA	115 880	134 447	139 505	191 580	161 332	181 670	212 274	245 006	800 281
Americas	108 590	117 246	129 422	129 944	141 869	179 287	198 154	194 948	714 258
Asia	32 611	31 379	32 392	39 495	34 964	49 331	33 814	38 627	156 736
Total	257 081	283 072	301 319	361 019	338 165	410 288	444 242	478 581	1 671 275

Income statement (SEK thousand)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007
Net sales	257 081	283 072	301 319	361 019	338 165	410 288	444 242	478 581	1 671 275
Gross profit	138 222	154 573	166 772	199 441	186 163	230 823	242 086	264 295	923 367
Gross margin	53.8 %	54.6 %	55.3 %	55.2 %	55.1 %	56.3 %	54.5 %	55.2 %	55.2 %
Operating profit/loss	38 000	43 297	68 332	73 527	66 595	94 629	102 413	104 433	368 070
Operating margin	14.8 %	15.3 %	22.7 %	20.4 %	19.7 %	23.1 %	23.1 %	21.8 %	22.0 %
Profit after financial items	37 898	43 106	68 060	73 342	66 364	94 432	102 236	104 326	367 358

Board of Directors and Auditors

Lars-Erik Nilsson

Member of Board since 2003. (Chairman of the Board since September 2005.)
Chairman of the Board of IT-Hantverkar-
na, Avensia Innovation AB (formerly
Luvit AB).
Director of Consellar AB and MultiQ In-
ternational AB.
Education: Graduate engineer.
Working experience: 1968–1986 Erics-
son, 1986–1987 Thomson CSF Skandi-
navien, 1987–2001 Compaq Computer.
Principal employment: Various director-
ships.
Shares in Axis: 10,000.

Martin Gren

Member of Board since 1984.
Chairman of the Board of Itact AB.
Director of Mitronics and Tobii Technol-
ogy AB.
Education: University of Lund.
Working experience: Founder of Axis.
Principal employment: Employed by
Axis Communications AB.
Shares in Axis: 7,157,471 through
Grenspecialisten AB.

Charlotta Falvin

Member of Board since 2006.
Director of Plast AB Orion and Apptus AB.
Education: Graduate in Business Admin-
istration, University of Lund.
Working experience: 1990–1994 Lars
Weibull AB, 1994–2002 Axis Commu-
nications AB, 2003 Lars Weibull AB,
2004–2005 Decuma AB, 2006– TAT.
Principal employment: CEO TAT – The
Astonishing Tribe AB.
Shares in Axis: 10,750.



Göran Jansson

Member of Board since 2007.
Director of Note, Human Care, Bankit
and BossMedia.
Education: Graduate in Business Admin-
istration, Stockholm.
Working experience: Industriförvalt-
nings AB Kinnevik, Tele2, Assa Abloy AB.
Principal employment: Financial con-
sultant and various directorships.
Shares in Axis: 7,000.

Olle Isberg

Member of Board since 2006.
Chairman of Awardit AB, Björkliden
Fjällby AB, Visionalis AB, Anerem AB
and Hotel Stureplan AB.
Education: Stockholm School of Eco-
nomics.
Working experience: Öhman Fondkom-
mission, Ratos, H&B Capital.
Principal employment: CEO Visionalis AB.
Shares in Axis: 0.

Auditors

Öhrlings PricewaterhouseCoopers.
Chief auditor: Bertil Johanson, 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: Graduate engineer, Technological physics and Executive MBA from the Institute of Economics, University of Lund.

Previous employment: TAC.

Shares in Axis: 22,000



Anders Laurin

Born 1960.

Executive Vice President, Marketing

Employed by Axis since 1997.

Education: ADB-program, Malmö.

Previous employment: TAC.

Shares in Axis: 16,000



Malin Ruijsenaars

Born 1971.

Chief Personnel Officer

Employed by Axis since 2004.

Education: PA-program, University of Lund, Master of European Studies, Post-graduate studies, UC Berkeley, USA.

Previous employment: Mercedes-Benz, Customer Assistance Center N.V., DaimlerChrysler Denmark Sweden.

Shares in Axis: 0



Kenneth Jonsson

Born 1960.

Vice President, Research & Development

Employed by Axis since 1985.

Education: Växjö/Kristianstad University.

Previous employment: Ericsson Information Systems.

Shares in Axis: 10,750





Fredrik Sjöstrand

Born 1969.

Vice President and Chief Financial Officer

Employed by Axis since 1998.

Education: Graduate in Business Administration, University of Lund.

Previous employment: E.ON, PricewaterhouseCoopers.

Shares in Axis: 24,000



Bodil Sonesson Gallon

Born 1968.

Vice President, Global Sales

Employed by Axis since 1996.

Education: Master's degree in International Finance, University of Lund and Konstanz University, Germany.

Previous employment: Lars Weibull AB.

Shares in Axis: 850



Per Ädelroth

Born 1966.

Vice President, Operations

Employed by Axis since 1994.

Education: Graduate Engineer, Industrial economics, Chalmers, Gothenburg.

Previous employment: Accenture AB.

Shares in Axis: 17,250



Jonas Hansson

Born 1967.

Chief Information Officer

Employed by Axis since 2000.

Education: Graduate Engineer and journalism studies, University of Lund.

Previous employment: Netch Technologies AB, Nationalencyklopedin.

Shares in Axis: 6,751

Corporate Governance Report

Axis AB (publ) (hereafter "Axis") is a Swedish stock corporation with its registered office in Lund, Sweden. Axis was floated on the Stockholm Stock Exchange in 2000 and is currently listed on the OMX Nordic Exchange. The company follows the provisions of the Swedish Companies Act as well as the stock exchange regulations for listed companies in Sweden.

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

ANNUAL GENERAL MEETING

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

The meeting further resolved:

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

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

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

NOMINATING COMMITTEE 2007

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

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

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

THE BOARD OF DIRECTORS

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

Under the Swedish Companies Act and the formal work plan of the Board of Directors, the Board is responsible for drawing up and evaluating Axis' overall, long-term strategies and goals, adopting the budget and taking decisions affecting the operations and major investments in the Axis organisation and operations. In addition to this, the work of the Board is regulated by statutory instructions for the President and CEO and instructions on financial reporting.

The formal work plan of the Board

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

The role of the Chairman of the Board of Axis AB is to monitor the progress of the business and to be responsible for ensuring that the other directors continually receive the information they require to carry out the work of the Board with quality maintained and in accordance with the Swedish Companies Act.

Committees

Remuneration committee

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

Audit Committee

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

The work of the Board during 2007

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

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

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

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

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

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

THE PRESIDENT AND MANAGEMENT TEAM

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

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

informed of the performance of the operations, and that they are being carried on in accordance with the Board's guidelines and instructions. The CEO keeps the Board and the Chairman continually informed of the company's and the Group's financial position and performance. The Group management team held 11 formal and a large number of informal meetings during the year.

AUDITS

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

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

INTERNAL CONTROL

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

The Board's internal control report

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

Axis' process for the internal control of financial report-

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

Control environment

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

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

A. Operational Management

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

B. Corporate Culture

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

C. Guidelines and policies

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

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

Risk assessment

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

Control activities

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

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

Information and communication

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

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

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

Financial reporting and follow up

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

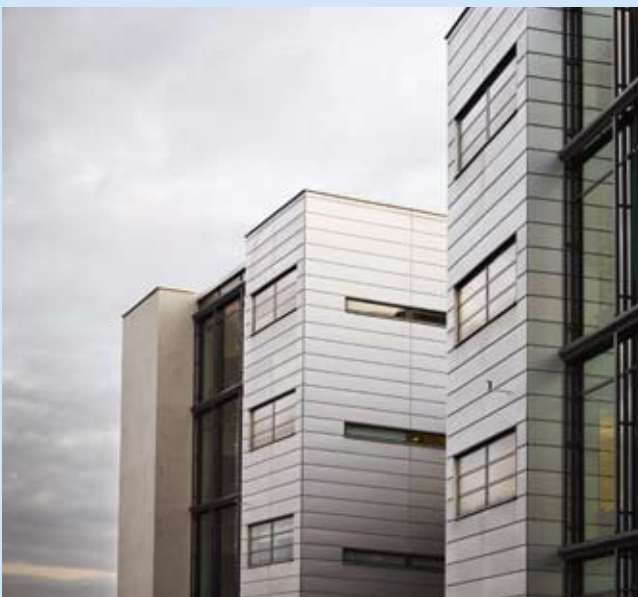
The reporting structure is based on two principal dimensions, geographical and functional. A monthly income statement is prepared for each dimension, and these are followed up with the responsible managers and controllers. At present, the geographical dimension consists of four regions and 19 sub-regions.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

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

FINANCIAL INFORMATION 2008

Three-month report: Wednesday April 16
 Annual General Meeting: Thursday April 17
 Half-year report: Tuesday July 8
 Nine-month report: Friday October 17
 Annual report 2008 to be published in March 2009

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



INVITATION TO THE ANNUAL GENERAL MEETING

The Annual General Meeting of the company will be held at Edison Park, Emdalavägen 14, Lund, on Thursday April 17, 2008 at 17.00. Shareholders who wish to participate in the general meeting must be registered in their own names in the print-out of the share register produced by the Swedish Securities Register Centre, VPC, on Friday April 11, 2008. Shareholders whose shares are held through nominees, must ensure, in good time, that the bank or stockbroker who holds the shares arranges temporary shareholder registration, voting right registration, two banking days prior to April 11, 2008. The notification of participation must be received by Axis AB no later than 13.00 on Friday April 11, 2008. The notification should include the shareholder's name, Swedish

civil registration or corporate ID number (where appropriate), address and phone number. 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 April 3. The notification must also state the number of assistants the shareholder wishes to bring to the general meeting. 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

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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 18 offices and cooperating with partners in more than 70 countries. Founded in 1984, Axis is listed on OMX Nordic Exchange, Large Cap segment, Information Technology. For more information about Axis, please visit our website at www.axis.com.



Corporate ID number 556241-1065

Axis AB

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