

Interim report, January–September 2008

Continued profitable growth



- Net sales during the period amounted to SEK 1,474 M (1,193).
- Operating profit during the period totaled SEK 291 M (264).
- Profit before tax for the period amounted to SEK 291 M (263).
- Profit after tax for the period totaled SEK 207 M (192).
- Earnings per share for the period amounted to SEK 2.99 (2.76).

President's Comments

Net sales for the first nine months of the year totaled SEK 1,474 M, an increase of 24 percent compared with the same period of the preceding year. Growth within the Video product area amounted to 35 percent calculated in local currency terms during the period January–September. Sales within Video totaled SEK 522 M during the third quarter, corresponding to growth of 32 percent in local currency terms.

There is considerable interest in all regions for network video products in security installations. The Americas and Asia displayed strong growth figures, while

the third quarter was characterized by a degree of caution and project changes within EMEA.

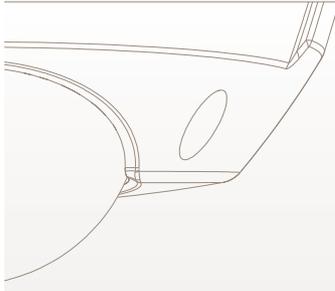
Axis' expansion plans remain, which involve a high rate of recruitment within sales, marketing, research & development as well as the establishment of sales offices, among other things. 116 new employees were hired during the first nine months of the year.

Ray Mauritsson
President

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

Axis is a Swedish-based company, operating worldwide with offices in more than 20 countries and cooperating with partners in more than 70 countries. Founded in 1984, Axis is listed on the OMX Nordic Exchange, under the ticker AXIS. For more information about Axis, please visit our web site at www.axis.com.





Sales

January–September

Net sales for the first nine months of the year totaled SEK 1,474 M (1,193), an increase of 24 percent compared with the same period of the preceding year.

Sales within the Video product area amounted to SEK 1,405 M (1,090) during the period January–September, corresponding to sales growth of 35 percent in local currency terms. Growth in Swedish Krona totaled 29 percent. Exchange rate differences negatively impacted sales by SEK 73 M during the period.

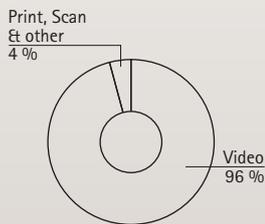
July–September

Net sales totaled SEK 543 M (SEK 444 M) during the third quarter, which is an increase of 22 percent compared with the same period of the preceding year.

The Video product area reported sales of SEK 522 M (413) for the third quarter, corresponding to growth of 32 percent in local currency terms. Growth in Swedish Krona amounted to 27 percent. Sales within the Print product area amounted to SEK 11 M (15) in the third quarter. Exchange rate differences negatively impacted sales by SEK 23 M in the third quarter.

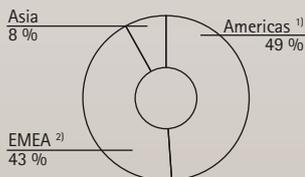
Sales in the Americas region amounted to SEK 263 M (198) during the third quarter, corresponding to growth of 33 percent. Growth totaled 44 percent in local currency terms. Sales in the EMEA region amounted to SEK 235 M (212), representing growth of 11 percent. A number of European markets have been characterized by a degree of caution and have displayed a slower growth rate for network video during the quarter. The Asia region reported sales of SEK 45 M (34), corresponding to growth of 33 percent.

Invoiced sales per product group, Q3 2008



Product area Video represents 96 % of Axis' sales.

Invoiced sales per region, Q3 2008



¹⁾ Incl. North, South and Central America

²⁾ Incl. Europe, the Middle East and Africa

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

Invoiced sales per product group, SEK M	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Full year 2007	Q407–Q308 12 months
Video	522.4	412.7	1 404.8	1 090.1	1 529.8	1 844.6
Print	10.6	15.3	36.2	63.7	79.1	51.6
Scan	7.3	9.6	25.4	22.7	40.4	43.1
Other	2.8	6.5	8.0	16.2	21.9	13.6
TOTAL	543.0	444.2	1 474.3	1 192.7	1 671.3	1 952.9

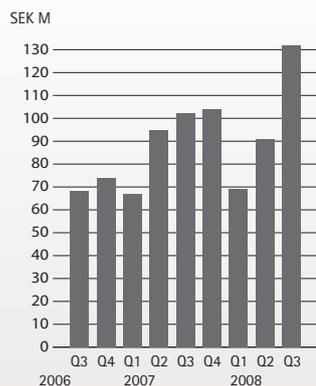
Invoiced sales per region, SEK M	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Full year 2007	Q407–Q308 12 months
EMEA	234.7	212.3	704.2	555.3	800.3	949.2
Americas	263.4	198.2	648.9	519.3	714.3	843.9
Asia	44.9	33.8	121.2	118.1	156.7	159.9
TOTAL	543.0	444.2	1 474.3	1 192.7	1 671.3	1 952.9

Operating profit

The Group's operating profit during the period January–September totaled SEK 291 M (264), corresponding to an operating margin of 19.8 percent (22.1). The gross margin continued to be stable and amounted to 55.5 percent (55.3). Profit before tax rose to SEK 291 M (263) and profit after tax increased to SEK 207 M (192). Exchange rate differences have not had a significant impact on operating profit.

Operating profit during the third quarter totaled SEK 131 M (SEK 102 M), corresponding to an operating margin of 24.1 percent (23.1). Profit before tax was SEK 131 M (102). Profit after tax amounted to SEK 94 M (72). The gross margin continued to be stable and totaled 54.8 percent (54.5).

Operating profit / EBIT



Condensed income statement, SEK M	Q3 2008	Q3 2007	Q1-Q3 2008	Q1-Q3 2007	Full year 2007	Q407-Q308 12 months
Net sales	543.0	444.2	1 474.3	1 192.7	1 671.3	1952.9
Gross profit	297.8	242.1	817.9	659.1	923.4	1082.2
<i>Gross margin</i>	<i>54.8 %</i>	<i>54.5 %</i>	<i>55.5 %</i>	<i>55.3 %</i>	<i>55.2 %</i>	<i>55.4 %</i>
Operating profit	131.1	102.4	291.3	263.6	368.1	395.7
<i>Operating margin</i>	<i>24.3 %</i>	<i>23.1 %</i>	<i>19.8 %</i>	<i>22.1 %</i>	<i>22.0 %</i>	<i>20.3 %</i>
Pretax profit	130.9	102.2	290.6	263.0	367.4	395.0

Cash flow and financial position

Cash flow from current operations totaled SEK 230 M during the period January–September. Net investments amounted to SEK 40 M. Capitalized development expenses totaled SEK 22 M during the period. Axis had SEK 257 M in cash and cash equivalents as well as unutilized credit facilities of SEK 200 M. Accordingly, the company had a total of SEK 457 M at its disposal at September 30, 2008.

Shareholders' equity

Consolidated shareholders' equity amounted to SEK 432 M. The total number of shares at the close of the period was 69,373,700. After full exercise of outstanding warrants, the number of shares totaled 69,468,677. At September 30, 2008, the Group's equity/assets ratio was 48.2 percent.

(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan. 1, 2008	0.7	275.0	13.7	262.0	551.5
Translation differences	-	-	-15.1	-	-15.2
Other adjustments	-	0.1	-	-	0.1
Dividend	-	-	-	-312.2	-312.2
Profit for the period	-	-	-	207.3	207.3
Closing balance at Sept 30, 2008	0.7	275.1	-1.4	157.1	431.5

Significant events during the period June–September

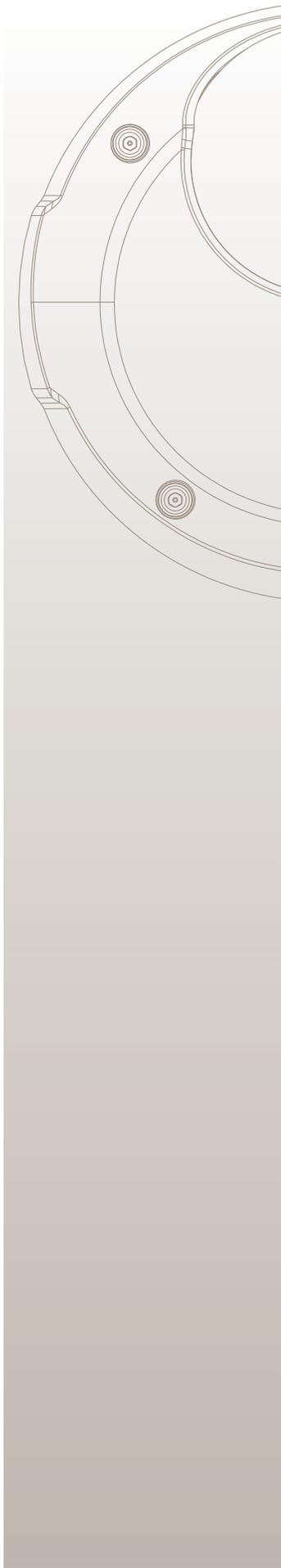
The launch of the new generation of network video products built upon the in-house developed ARTPEC-3 chip continued as planned. Products that were previously announced became available for the market during the period. The market has shown great interest in Axis network video products in security installations worldwide.

Comprehensive installation within retail trade in Austria

A contract was entered into during the period for installation of the AXIS 207 and AXIS 207MW (megapixel wireless) network camera models in 750 existing SPAR stores in Austria. Between 10 and 15 Axis network cameras are being installed in each of the SPAR stores. The cameras will be integrated in SPAR's existing infrastructure and will provide several advanced features through their digital technology. The installations have commenced and shall be completed by summer 2009.

Axis cameras in offering at Länsförsäkringar

The insurance company Länsförsäkringar Älvsborg announced during the period that Axis network cameras will be offered in the insurance company's alarm service for farming, companies



and private homes. Länsförsäkringar will initially offer the AXIS 207 STS network camera to its policy holders in Älvsborg. When accepting the offering, the customers will avoid paying deductibles and will also obtain discounts on their insurance premiums.

Expansion in South America and China

Axis opened two new offices during the period; one in Peking, China and one in São Paulo, Brazil. Business on the Chinese market has been conducted from the offices in Hong Kong and Shanghai for many years. The company is strengthening its presence in China through the opening of an additional office in the country. There is great potential for network video in China, particularly within the transportation and industrial segments.

Axis is expanding in South America within geographical areas where it has not previously been represented. There is particular demand in the continent for network video within authorities, public surveillance, as well as in the retail sector. Axis is establishing itself as a distinct player on the South American market by opening an office in São Paulo.

Continued expansion of the partnership program

The expansion of the partnership program continued at an unrelenting pace. An important factor of success for Axis is partner cooperation with sales channels as well as development partners (Application Development Partners, ADP). At the end of September, Axis had approximately 24,000 registered sales channel partners and over 650 ADPs.

Onvif, the name for the cooperation with Bosch and Sony about a new standard

Axis, Bosch Security Systems and Sony Corporation initiated cooperation during the spring in order to create an open forum for development of an interface standard for network video products. The name of the forum, Onvif (Open Network Video Interface Forum) was announced during the period. In connection with the American trade fair ASIS, considerable interest was shown in cooperation about the new standard. The new standard will mean increased compatibility between different network video products regardless of supplier. This will lead to installations of network video products becoming more cost-effective and flexible, thereby accelerating the technology shift.

Outlook for the remainder of 2008

The current financial turmoil in certain instances has meant that decisions regarding security installations have been deferred, which in turn has affected the pace of the technology shift from analog to digital technology. Despite this, the network video market is expected to grow strongly, which means that the market outlook for the remainder of 2008 is still considered favorable.

The company's goals and expansion plans remain unchanged. Axis' goal is to maintain and strengthen the company's position as the market-leading supplier of network video solutions. In order to achieve its objective and to meet the increasing competition on the market, Axis will continue to pursue its focused strategy. This strategy includes the launch of innovative network video products, the advancement of partnerships as well as geographical expansion and recruitment.

The Axis share

The company's share is listed on the OMX Nordic Exchange, Stockholm AB on the Mid Cap segment, under the ticker AXIS. Share trading during the period January 1 through September 30, 2008 averaged SEK 23.9 M per day. On average, 247,486 shares per day were traded during the same period. The average share price during the period was SEK 97.24. The total number of shares in the company at the end of the period was 69,373,700.

Nominating committee

Axis' nominating committee is composed of representatives from the three largest shareholders; Therese Karlsson (LMK Industri AB), Christer Brandberg (Inter Indu S.P.R.L) and Martin Gren (AB Grenspecialisten). Christer Brandberg is Chairman and Convenor. Proposals and viewpoints from shareholders concerning the composition of the Board of Directors may be submitted in writing to the following address: Axis AB, att. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, or by phone on +46 (0)46 272 18 00.

Accounting principles

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

Risks and uncertainties

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

The Parent Company

The Parent Company's operations focus primarily on Group-wide administration. The Parent Company has no employees. Sales totaled SEK 17 M (9). Operating profit amounted to SEK -1 M (-1). Cash and cash equivalents totaled SEK 56 M (-104) and borrowing was SEK 0 M (0). No investments have taken place during the interim period.

Reporting dates

The year-end report for Axis AB will be presented on Wednesday, February 4, 2009. Please note that the date has been changed from what was previously communicated.

Annual General Meeting

The Annual General Meeting of Axis AB will be held on April 22, in Lund at 5:00 p.m. The venue will be announced subsequently.

Lund, October 17, 2008

Ray Mauritsson
President

Consolidated income statement

(SEK M)	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Full year 2007	Q407–Q308 12 months
Net sales	543.0	444.2	1474.3	1192.7	1671.3	1952.9
Cost of sold products and services	-245.2	-202.2	-656.4	-533.6	-747.9	-870.7
Gross profit	297.8	242.1	817.9	659.1	923.4	1082.2
Other revenues and changes in value	5.2	-0.6	12.6	3.6	7.2	16.2
Selling and marketing costs	-90.2	-79.9	-286.0	-222.1	-307.5	-371.4
Administrative costs	-19.7	-14.5	-60.3	-44.8	-61.7	-77.3
Research and development costs	-62.0	-44.6	-192.9	-132.2	-193.4	-254.2
Operating profit *	131.1	102.4	291.3	263.6	368.1	395.7
Financial expenses	-0.2	-0.2	-0.6	-0.6	-0.7	-0.7
Pretax profit	130.9	102.2	290.6	263.0	367.4	395.0
Tax	-37.0	-30.7	-83.3	-71.6	-108.6	-120.3
Net profit for the period	93.9	71.6	207.3	191.5	258.8	274.7
Earnings per share before dilution, SEK	1.35	1.03	2.99	2.76	3.73	3.96
Earnings per share after dilution, SEK	1.35	1.03	2.98	2.76	3.73	3.95
Average number of shares before dilution, thousands	69 374	69 322	69 374	69 296	69 315	69 373
Average number of shares after dilution, thousands	69 469	69 419	69 469	69 419	69 426	69 469

* The net effect of hedging and change in currency against underlying receivables and liabilities in foreign currency has affected positively by SEK 5 M.

Cash-flow statement

(SEK M)	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Full year 2007	Q407–Q308 12 months
Cash flow from operating activities before change in working capital	105.5	88.5	236.8	217.3	308.3	327.8
Change in working capital	20.0	34.6	-6.8	-1.8	-5.6	-10.6
Cash flow from operating activities	125.5	123.1	230.0	215.5	302.7	317.2
Cash flow from investment activities	-11.8	-2.2	-39.7	-17.7	-27.6	-49.6
Cash flow from financing activities	-	1.0	-317.8	-205.6	-204.5	-316.7
Cash flow for the period	113.6	121.9	-127.6	-7.8	70.7	-49.1
Cash and cash equivalents, beginning of period	142.9	183.7	384.1	313.5	313.5	305.6
Cash and cash equivalents, end of period	256.5	305.6	256.6	305.6	384.1	256.5

Consolidated balance sheet

(SEK M)	Sept 30, 2008	Sept 30, 2007	Dec 31, 2007
Fixed assets	99.6	91.1	91.0
Inventories	176.9	142.3	166.1
Accounts receivable and other receivables	362.1	290.5	273.2
Cash and cash equivalents	256.6	305.6	384.1
Total	895.2	829.5	914.4
Shareholders' equity	431.5	486.5	551.5
Long-term liabilities	6.7	7.7	40.1
Current liabilities	457.0	335.3	322.8
Total	895.2	829.5	914.4

Key figures

	Q3 2008	Q3 2007	Q1–Q3 2008	Q1–Q3 2007	Full year 2007
Net sales growth (%)	22.2	47.4	23.6	41.7	39.0
Gross margin (%)	54.8	54.5	55.5	55.3	55.2
Operating margin (%)	24.1	23.1	19.8	22.1	22.0
Profit margin (%)	24.1	23.0	19.7	22.1	22.0
Depreciation/amortization (SEK M) *	41	20	41	20	22
Shareholders' equity (SEK M)	432	487	432	487	551
Capital employed (SEK M)	548	494	548	494	592
Interest-bearing liabilities (SEK 000s)	0	6	0	6	6
Net interest-bearing liabilities (SEK 000s)	-257	-300	-257	-300	-390
Total assets (SEK M)	895	830	895	830	913
Return on capital employed (%) *	69.4	66.7	69.4	66.7	66.4
Return on total capital *	43.8	41.7	43.8	41.7	43.2
Return on equity (SEK M) *	57.9	49.0	57.9	49.0	50.3
Interest-coverage ratio (times) *	531.2	426.8	531.2	426.8	517.0
Net debt/equity ratio (times)	-0.6	-0.6	-0.6	-0.6	-0.7
Equity/assets ratio (%)	48.2	58.7	48.2	58.7	60.4
Share of risk-bearing capital (%)	60.4	68.0	60.4	68.0	63.5
Capital turnover ratio (times)	3.4	3.1	3.4	3.1	3.0
Number of employees (average for the period)	668	513	631	491	507
Sales per employee (SEK M)	2.9	3.0	3.1	3.2	3.3
Operating profit per employee (SEK M)	0.6	0.7	0.6	0.7	0.7

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

Per-share data

	Sept 30, 2008	Sept 30, 2007	Dec 31, 2007
Share price at end of period, SEK	76.25	139.00	159.00
Dividend, SEK	4.50	3.00	3.00
P/E multiple	19	38	43
Earnings per share before dilution, SEK	2.99	2.76	3.73
Earnings per share after dilution, SEK	2.98	2.76	3.73
Average number of shares before dilution, thousands	69 374	69 296	69 315
Average number of shares after dilution, thousands	69 469	69 419	69 426
Number of shares outstanding (thousand)	69 374	69 338	69 372

Quarterly data

Invoiced sales per product group (SEK M)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2005	2006	2006	2006	2006	2007	2007	2007	2007	2008	2008	2008
Video	220.8	219.6	249.3	268.7	324.1	309.2	368.2	412.7	439.8	409.5	472.9	522.4
Print	30.4	27.9	24.2	20.9	22.3	18.7	29.6	15.3	15.4	13.6	12.0	10.6
Scan	4.3	4.1	6.2	6.9	9.7	4.6	8.5	9.6	17.7	12.2	5.9	7.3
Other	4.0	5.5	3.4	4.8	4.9	5.7	4.0	6.5	5.7	2.3	3.0	2.8
TOTAL	259.4	257.1	283.1	301.3	361.0	338.2	410.3	444.2	478.6	437.5	493.8	543.0

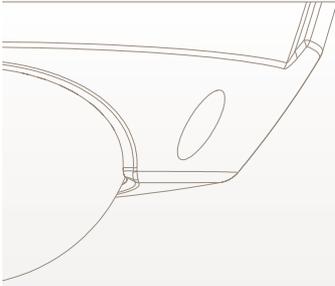
Invoiced sales per region (SEK M)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2005	2006	2006	2006	2006	2007	2007	2007	2007	2008	2008	2008
EMEA	129.2	115.9	134.4	139.5	191.6	161.3	181.7	212.3	245.0	220.5	249.0	234.7
Americas	99.7	108.6	117.2	129.4	129.9	141.9	179.3	198.2	194.9	173.8	211.7	263.4
Asia	30.6	32.6	31.4	32.4	39.5	35.0	49.3	33.8	38.6	43.3	33.1	44.9
TOTAL	259.4	257.1	283.1	301.3	361.0	338.2	410.3	444.2	478.6	437.5	493.8	543.0

Parent Company income statement

(SEK M)	Q1-Q3 2008	Q1-Q3 2007	Full year 2007
Net sales	16.7	8.5	13.9
Gross profit	16.7	8.5	13.9
Administrative costs	-18.1	-9.7	-16.6
Operating profit	-1.4	-1.2	-2.7
Result from participations in Group companies	-	-	318.0
Financial income	40.6	20.5	30.8
Financial expenses	-23.4	-7.6	-22.9
Profit before tax	15.8	11.6	323.2
Change in tax allocation reserve	-	-	-84.7
Tax	-4.4	-3.3	-67.9
Net profit	11.4	8.4	170.6

Parent Company balance sheet

(SEK M)	Sept 30, 2008	Sept 30, 2007	Dec 31, 2007
Fixed assets	2.4	2.3	2.3
Receivables from Group companies	173.2	403.9	631.6
Accounts receivable and other receivables	1.0	2.4	0.4
Tax receivables	53.7	31.1	1.7
Cash and cash equivalents	56.1	-	296.7
Total	286.4	439.8	932.7
Shareholders' equity	174.6	309.8	470.9
Untaxed reserves	108.9	24.1	108.9
Tax liabilities	0.7	104.2	322.8
Current liabilities	2.2	1.6	30.2
Total	286.4	439.8	932.7



Review report

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

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Lund, October 17, 2008

Öhrlings PricewaterhouseCoopers AB

Bertil Johanson

Authorised Public Accountant

Auditor in charge

For more information

Axis will hold a teleconference for media and financial analysts today, October 17 at 10:00 a.m. A presentation is available on <http://www.axis.com/corporate/investor/index.php>

Time: Friday, October 17, at 10:00 a.m.

Phone number: +46 (0)8 5052 0110

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