

Year-end report

2014



The fourth quarter

- > Net sales increased by 16 percent during the fourth quarter to SEK 1,504 M (1,299). In local currencies, net sales increased by 7 percent
- > Operating profit increased to SEK 199 M (166), which corresponds to an operating margin of 13.2 percent (12.8)
- > Profit after tax amounted to SEK 156 M (117)
- > Earnings per share amounted to SEK 2.24 (1.68)
- > The board proposes a dividend of SEK 6.00, of which SEK 3.25 is an extra dividend (SEK 5.50 of which SEK 3.00 is an extra dividend)

Januari – December

- > Net sales increased by 16 percent during the period to SEK 5,450 M (4,717). In local currencies, net sales increased by 12 percent
- > Operating profit increased to SEK 715 M (640), which corresponds to an operating margin of 13.1 percent (13.6)
- > Profit after tax amounted to SEK 539 M (479)
- > Earnings per share amounted to SEK 7.76 (6.89)

President's comments

Sales for the full-year 2014 increased by 12 percent in local currency. The turbulence in Russia and Ukraine continues to have a negative impact on sales in the EMEA region. Meanwhile, we continue to see a strong performance in emerging markets, especially in Northern Asia and in the Middle East. During the quarter, we saw falling inventory levels among distributors in the US.

Axis is continuing to release new products and solutions at a rapid rate. During the year, our offering was strengthened with new innovative network cameras and we also made important investments directed towards the various market segments. We have broadened our product portfolio with an overall solution for medium-sized systems, updated versions of our software solutions and we also introduced access control in Europe. By taking a greater responsibility for the overall system, we are further strengthening our position in relation to partners and end customers.

During the fourth quarter, one of Axis' contract manufacturers was affected by a fire, which totally destroyed the production

unit. Thanks to continually proactive work involving a number of subcontractors, the situation could be handled with a limited impact on sales.

During the quarter, the organization grew by 74 new employees. For the full-year, the number of employees increased by 314 people around the world. At year-end, the number of employees totaled 1,941.

We retain our view regarding the underlying market trend. By continuing to develop solutions for new customer segments and markets, while strengthening our offering in existing markets, Axis is well-prepared to continue its global expansion and reinforce its market position in network surveillance solutions.



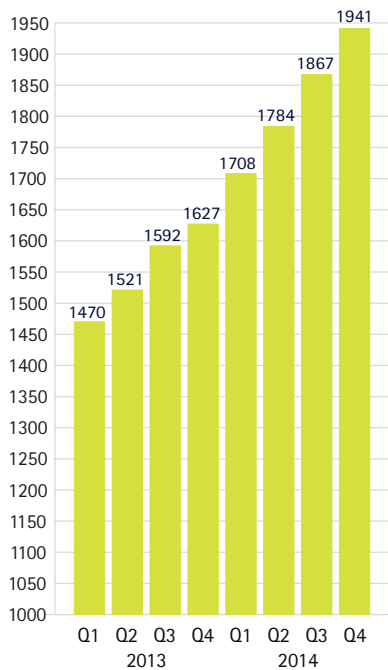
Ray Mauritsson
President

About Axis Communications Axis offers intelligent security solutions that enable a smarter, safer world. As the global market leader in network video, Axis is driving the industry by continually launching innovative network products based on an open platform – delivering high value to customers through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and ground-breaking network products in existing and new markets. Axis has more than 1,900 dedicated employees in more than 40 countries around the world, supported by a network of over 70,000 partners across 179 countries. Founded in 1984, Axis is a Sweden-based company listed on NASDAQ Stockholm under the ticker AXIS. For more information about Axis, please visit our website www.axis.com.





Number of employees



Events during the fourth quarter

Growth in line with underlying demand

The performance during the fourth quarter was in line with Axis' estimate of the current growth in the network video market. The development in the number of product inquiries remained at a steady level. The growth rate during the year varied sharply between quarters.

Maintained high rate of innovation

The release rate of new products remained high during the quarter. In November, the AXIS Q8414-LVS was introduced, which is an entirely new network camera specially designed for installation in corners. Featuring an anti-grip design, Lightfinder technology and IR functionality, the camera is suited to surveillance in correctional facilities, elevators and hospitals, for example. In December, the AXIS F44 was released. The product is a main unit, which complements the AXIS F series. The camera solution is based on a main unit to which four sensor units are connected. The end customer has the possibility of designing an ideal solution for their unique needs. This smart solution enables flexible and discreet surveillance in emergency vehicles, stores and bank offices. At year-end, the AXIS Q1635 was released, which is primarily designed for city surveillance applications. A large sensor enables enhanced light sensitivity and the possibility of delivering extremely high quality black and white images, providing video with less motion blur and low bandwidth consumption.

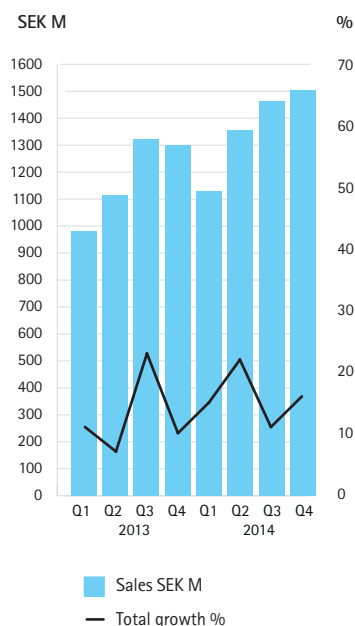
Continued growth and expansion during 2014

The number of employees increased by 74 people during the fourth quarter. During the full-year 2014, the number of employees increased by 314 people. There is still a substantial need for skilled people, particularly in research and development and sales. The total number of employees increased by 19 percent during the year. The work on strengthening the global partner network is proceeding as planned. At year-end, Axis had more than 75,000 partners throughout the world.

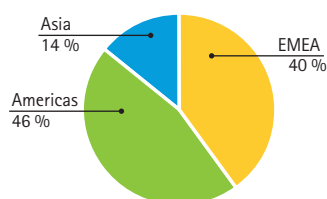
Little impact from the production unit fire

In November, one of Axis' contract manufacturers in Thailand was affected by a fire, which totally destroyed the production unit. Clear processes for handling this type of incident meant that the impact on sales during the quarter was limited to 1-2 percent. Axis' products are manufactured at more than one production unit in order to minimize the effect of production disruptions. The work on restarting production at the affected unit is going as planned and is expected to be finished during the first half of 2015.

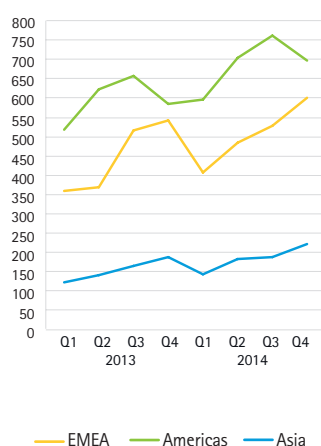
Sales



Invoicing per region, Q4 2015



Sales per region, SEK M



Comments on the income statement and balance sheet

Net sales

The fourth quarter

Net sales in the fourth quarter amounted to SEK 1,504 M (1,299), which was an increase of 16 percent. Growth was 7 percent in local currency. Foreign currency effects impacted sales positively by SEK 114 M.

Sales in the EMEA region amounted to SEK 596 M (537) during the fourth quarter, corresponding to growth of 11 percent. Growth amounted to 7 percent in local currency. The turbulent political situation in Russia and Ukraine continues to have a negative impact on sales in Eastern Europe. The Middle East is still performing strongly. The markets in Central and Northern Europe displayed stable sales. The financial turbulence in Southern Europe continues to have a negative impact on the market's investments in new security installations.

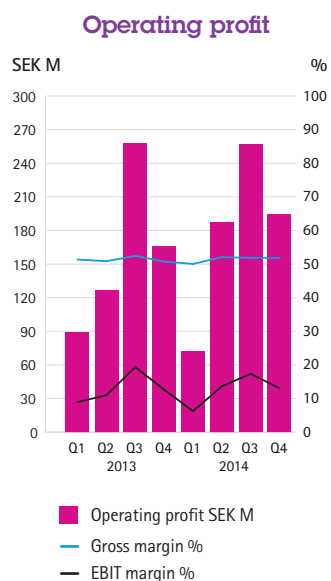
Sales in the Americas region amounted to SEK 693 M (580) during the fourth quarter, corresponding to growth of 19 percent. Growth amounted to 7 percent in local currency. During the fourth quarter, inventory levels fell among distributors compared to the previous quarter. Axis still has a strong position in the region and underlying demand is at a steady level.

Sales in the Asia region amounted to SEK 215 M (181) during the fourth quarter, corresponding to growth of 19 percent. Growth amounted to 5 percent in local currency. Axis continues to maintain a high rate of expansion and recruitment in order to strengthen its position in the region. Demand is strong, particularly in the countries in Northern Asia.

Full-year 2014

Net sales for the year totaled SEK 5,450 M (4,717), an increase of 16 percent in Swedish kronor and 12 percent in local currency. Foreign currency effects, primarily from USD and EUR, impacted sales positively during the year by SEK 173 M. The performance during the year in Axis' different regions varied to some extent. The Americas region, which accounted for about 50 percent of total sales during the year, displayed sales growth of 12 percent in local currencies, which Axis estimates to be in line with the market as a whole. Sales in the EMEA region increased by 10 percent in local currencies. Sales in the Asia region increased by 16 percent during 2014 in local currencies.

Invoiced sales per product group (SEK M)	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Video	1,496.2	1,296.6	5,429.7	4,708.0
Other	7.6	1.9	20.0	8.8
TOTAL	1,503.8	1,298.5	5,449.7	4,716.8
Invoiced sales per region (SEK M)	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
EMEA	596.1	537.1	1,999.2	1,764.1
Americas	692.7	580.0	2,742.7	2,363.8
Asia	215.0	181.4	707.8	588.9
TOTAL	1,503.8	1,298.5	5,449.7	4,716.8



Earnings

The fourth quarter

Operating profit during the fourth quarter amounted to SEK 199 M (166), which corresponded to an operating margin of 13.2 percent (12.8). Gross margin continued to be stable and amounted to 52.2 percent (50.9) in the fourth quarter. Profit before tax was SEK 203 M (166). Profit after tax amounted to SEK 156 M (117). Changes in foreign exchange rates impacted operating profit positively by SEK 7 M, compared to the year-earlier period.

Full-year 2014

The group's operating profit during the year amounted to SEK 715 M (640), which corresponds to an operating margin of 13.1 percent (13.6). Gross margin amounted to 51.8 percent (51.5). Profit before tax was SEK 714 M (637) and profit after tax was SEK 539 M (479). Changes in foreign exchange rates impacted operating profit positively by SEK 24 M, compared to the previous year.

Condensed income statement (SEK M)	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Net sales	1,503.8	1,298.5	5,449.7	4,716.8
Gross profit	784.4	660.6	2,822.0	2,430.2
Gross margin, %	52.2	50.9	51.8	51.5
Operating profit	199.2	166.0	715.4	640.3
Operating margin, %	13.2	12.8	13.1	13.6
Profit after financial items	202.9	165.5	713.9	637.2

Cash flow, investments and financial position

Cash flow from operating activities for the full-year amounted to SEK 601 M (478). Net investments totaled SEK 142 M (117), of which capitalized development costs amounted to SEK 52 M (53). Axis had SEK 415 M (338) in cash and cash equivalents at year-end, as well as unutilized credit facilities of SEK 1,000 M (500). Accordingly, the company had a total of SEK 1,415 M (838) at its disposal at December 31, 2014.

Equity

Consolidated equity amounted to SEK 1,097 M (937). The total number of shares at year-end was 69,461,250 (69,461,250). Axis has no outstanding stock option programs. The group's equity/assets ratio was 49.7 percent (48.2) at December 31, 2014.

(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan 1, 2013	0.7	279.2	-14.1	544.0	809.8
Total comprehensive income for the period	-	-	-4.5	478.9	474.4
Dividend	-	-	-	-347.3	-347.3
Closing balance at Dec 31, 2013	0.7	279.2	-18.6	675.6	936.9
Opening balance at Jan 1, 2014	0.7	279.2	-18.6	675.6	936.9
Total comprehensive income for the period	-	-	2.9	539.3	542.2
Dividend	-	-	-	-382.0	-382.0
Closing balance at Dec 31, 2014	0.7	279.2	-15.7	832.9	1,097.1

Parent Company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. During the period, sales amounted to SEK 101 M (26) and operating profit amounted to SEK 58 M (-12). Cash and cash equivalents at the end of the period amounted to SEK 114 M (123) and borrowing was SEK 0 M (0). No investments have taken place during the period.



Outlook

The market activity and the inflow of new projects means that Axis' view on the current market growth rate remains unchanged. External market research institutions estimate in their latest reports, the long-term growth rate for the network video market at 16 and 22 percent, respectively. An important factor for continued strong growth is increased penetration in installations for smaller systems and in emerging markets. In order to meet market demand and retain its position as the market-leading supplier of network video solutions, Axis will continue to develop and release a large number of innovative products, refine the partner network, recruit more employees and continue to expand globally.

Other

Risks and uncertainties

Axis' operations are subject to a further number of risks and uncertainties, which are described in the 2013 Annual Report. No new material risks have arisen during 2014.

Accounting policies

This interim report is prepared in accordance with the Swedish Annual Accounts Act and IAS 34, Interim Financial Reporting. For information on the accounting policies applied, see the 2013 Annual Report. The accounting policies are unchanged compared with those applied in 2013.

Nomination Committee

Axis' Nomination Committee is composed of representatives from the three largest shareholders; Christer Brandberg (Inter Indu AB), Therese Karlsson (LMK Industri AB) and Martin Gren (AB Grenspecialisten). Christer Brandberg is chairman and convenor. Proposals and views from shareholders concerning the composition of the Board may either be submitted in writing to the address: Axis AB, attn. Adrienne Jacobsen, Emdalavägen 14, 223 69 Lund, or by phone +46 46 272 18 00.

Annual General Meeting

Axis' Annual General Meeting will be held on March 25, 2015 at 5 p.m. in the Scandic Star Hotel, Glimmervägen 5, Lund, Sweden.

The Axis share

The company's share is listed on NASDAQ Stockholm in the Large Cap segment, under the ticker AXIS. Axis' share had a turnover of 44,422,913 shares during the period January–December 2014, which gave an average turnover of 178,405 shares per trading day, to a value of SEK 36,578,429. The average price of the share during the period was SEK 206.60.

Reporting dates

Axis will report on the following dates during the 2015 fiscal year:

Interim report, January–March: April 16, 2015

Interim report, January–June: July 9, 2015

Interim report, January–September: October 15, 2015

Lund, January 30, 2015

Ray Mauritsson
President



Review report

Review report of condensed interim financial information (Interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

Introduction

We have reviewed this interim report for the period January 1–December 31, 2014 for Axis AB (publ). The board of directors and the president are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim financial information, based on our review.

The focus and scope of the review

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

Conclusion

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

Lund, January 30, 2015
PricewaterhouseCoopers AB

Ola Bjärehäll
Authorized Public Accountant
Auditor in charge

Consolidated comprehensive income

(SEK M)	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Net sales	1,503.8	1,298.5	5,449.7	4,716.8
Cost of goods and services sold	-719.4	-637.9	-2,627.7	-2,286.6
Gross profit	784.4	660.6	2,822.0	2,430.2
Other revenues and changes in value	-11.7	3.5	-1.6	-8.0
Selling and marketing expenses	-278.5	-240.5	-1,019.6	-864.4
Administrative expenses	-61.7	-55.3	-226.7	-208.9
Research and development expenses	-233.3	-202.3	-858.7	-708.6
Operating profit *	199.2	166.0	715.4	640.3
Net financial items	3.7	-0.5	-1.5	-3.1
Profit after financial items	202.9	165.5	713.9	637.2
Tax	-47.2	-48.5	-174.6	-158.3
Net profit for the period	155.7	117.0	539.3	478.9
Other comprehensive income				
Items that later may be transferred to the income statement				
Exchange differences	2.4	0.4	2.9	-4.5
Other comprehensive income for the period, net after tax	2.4	0.4	2.9	-4.5
Total comprehensive income for the period	158.1	117.4	542.2	474.4
Total comprehensive income attributable to:				
Parent Company's shareholders	158.1	117.4	542.2	474.4
Earnings per share for the period, SEK	2.24	1.68	7.76	6.89
Number of shares, average, thousands	69,461	69,461	69,461	69,461

*Net effects of changes in exchange rates in underlying receivables and liabilities in foreign currency have impacted operating profit negatively by SEK 8 M (positively by 3 M) in the fourth quarter and negatively by SEK 2 M (negatively by SEK 9 M) during the full-year 2014.

Consolidated statement of cash flows

(SEK M)	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Cash flow from operating activities before change in working capital	199.5	130.9	689.2	567.6
Change in working capital	-179.8	-155.9	-88.7	-90.1
Cash flow from operating activities	19.7	-25.0	600.5	477.5
Cash flow from investing activities	-37.5	-32.4	-141.6	-117.0
Cash flow from financing activities	0.0	2.4	-382.0	-487.3
Cash flow during the period	-17.8	-55.0	76.9	-126.8
Cash and cash equivalents at the start of the period	432.4	392.7	337.7	464.5
Cash and cash equivalents at the end of the period	414.6	337.7	414.6	337.7

Consolidated balance sheet

(SEK M)	Dec 31, 2014	Dec 31, 2013
Non-current assets	338.3	270.5
Inventories	722.3	636.8
Trade receivables*	636.5	592.0
Other receivables	95.0	105.9
Cash and cash equivalents	414.6	337.7
Total	2,206.7	1,942.9
Equity	1,097.1	936.9
Non-current liabilities	187.4	159.3**
Trade payables	474.1	439.1
Other current liabilities	448.1	407.6**
Total	2,206.7	1,942.9

*This item includes receivables from contract manufacturers of SEK 119 M (68).

**Deferred tax in Brazil of SEK 4.2 M has been reclassified from other current liabilities to non-current liabilities.

Key ratios

	Q4 2014	Q4 2013	Full-year 2014	Full-year 2013
Net sales growth (%)	15.8	10.1	15.5	12.7
Gross margin (%)	52.2	50.9	51.8	51.5
Operating margin (%)	13.2	12.8	13.1	13.6
Profit margin (%)	13.5	12.7	13.1	13.5
Depreciation/amortization (SEK M) *	72.0	55.4	72.0	55.4
Equity (SEK M)	1,097	937	1,097	937
Capital employed (SEK M)	1,151	984	1,151	984
Interest-bearing liabilities (SEK M)	0	0	0	0
Net interest-bearing liabilities/net receivables (SEK M) **	415	338	415	338
Total assets (SEK M)	2,207	1,943	2,207	1,943
Return on capital employed (%) *	67.2	64.8	67.2	64.8
Return on total assets (%) *	34.6	35.2	34.6	35.2
Return on equity (%) *	54.8	56.9	54.8	56.9
Interest coverage ratio (times) *	224.1	206.5	224.1	206.5
Equity/assets ratio (%)	49.7	48.2	49.7	48.2
Proportion of risk-bearing capital (%)	55.8	54.2	55.8	54.2
Capital turnover ratio (times)	5.1	4.8	5.1	4.8
Number of employees (average for the period)	1,922	1,614	1,797	1,532
Sales per employee (SEK M) *	2.8	2.9	3.0	3.1
Operating profit per employee, SEK M) *	0.4	0.4	0.4	0.4

*The key figures have been recalculated to rolling 12-month values where appropriate.

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

Per share data

	Dec 31, 2014	Dec 31, 2013
Share price at end of period, SEK	199.60	223.80
Dividend paid, SEK	5.50	5.00
P/E ratio	26	32
Earnings per share, SEK	7.76	6.89
Number of shares, average, thousands	69,461	69,461
Number of outstanding shares, thousands	69,461	69,461

Quarterly data

Invoiced sales per product group (SEK '000)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Video	1,496.2	1,458.3	1,354.0	1,121.2	1,296.6	1,318.8	1,112.8	979.8	1,177.5	1,065.0	1,039.1	876.6
Other	7.6	3.8	0.7	7.9	1.9	3.6	1.6	1.7	2.0	14.2	4.4	4.7
TOTAL	1,503.8	1,462.1	1,354.7	1,129.1	1,298.5	1,322.4	1,114.4	981.5	1,179.5	1,079.2	1,043.5	881.3

Invoiced sales per region	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
EMEA	596.1	522.9	478.7	401.5	537.1	511.1	362.5	353.4	484.9	384.9	377.0	331.8
Americas	692.7	758.2	700.4	591.4	580.0	653.0	617.9	512.9	555.9	569.9	542.7	449.0
Asia	215.0	181.0	175.6	136.2	181.4	158.3	134.0	115.2	138.7	124.4	123.8	100.5
TOTAL	1,503.8	1,462.1	1,354.7	1,129.1	1,298.5	1,322.4	1,114.4	981.5	1,179.5	1,079.2	1,043.5	881.3

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Net sales growth (%)	15.8	10.6	21.6	15.0	10.1	22.5	6.8	11.4	16.9	11.1	39.7	9.0
Gross profit (SEK M)	784.4	760.9	706.9	569.8	660.6	696.2	568.1	505.3	600.5	548.2	515.1	439.7
Gross margin (%)	52.2	52.0	52.2	50.5	50.9	52.6	51.0	51.5	50.9	50.8	49.4	49.9
Operating profit (SEK M)	199.2	256.5	187.6	72.1	166.0	258.4	126.5	89.3	206.7	168.4	121.1	79.1
Operating margin (%)	13.2	17.5	13.8	6.4	12.8	19.5	11.4	9.1	17.5	15.6	11.6	9.0

Parent Company income statement

(SEK M)	Full-year 2014	Full-year 2013
Net sales	100.5	25.9
Gross profit	100.5	25.9
Administrative expenses	-43.0	-37.4
Operating profit	57.5	-11.5
Financial income	34.9	16.1*
Financial expenses	-37.7	-20.5
Profit/loss after financial items	54.7	-15.9
Appropriations	478.9	405.5*
Tax	-111.8	-83.7
Net profit for the period	421.8	305.9

*From 2014, group contributions paid and received are recognized as appropriations. For comparability between years, SEK 437.3 M has been reclassified from financial income to appropriations 2013.

Parent Company balance sheet

(SEK M)	Dec 31, 2014	Dec 31, 2013
Non-current assets	7.9	10.2
Receivables from group companies	984.5	749.6
Trade receivables and other receivables	1.8	2.4
Tax receivables	0.0	15.1
Cash and cash equivalents	113.6	122.5
Total	1,107.8	899.8
Equity	423.4	383.7
Untaxed reserves	637.9	510.4
Liabilities to group companies	0.9	0.9
Current liabilities	45.6	4.8
Total	1,107.8	899.8

Analyst & Press Conference

Axis will hold a teleconference for the media and financial analysts today. A presentation is available at: www.axis.com/sv/corporate/investor/financial_reports.htm

Time: Friday, January 30, 2015 at 10.00 a.m.

Phone number: +46 8 566 426 90

The presentation will be broadcast live on:

<http://financialhearings.nu/150130/axis/>

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This report contains future-oriented information that is based on the present expectations of Axis' Management. Even if the Management believes that the expectations reflected in such future-oriented information are reasonable, no assurance may be given that these expectations will prove to be correct. Consequently, actual future outcomes may deviate significantly from what is reflected in the future-oriented information due to changed conditions relating to the economy, market and competition, changes in legal requirements and other political measures, fluctuations in exchange rates and other factors.

Axis discloses the information provided herein pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. This information was submitted for publication at 08.00 CET on Friday, January 30, 2015.