

Half-year Report

January-June 2016



Second quarter

- > Net sales increased by 9 percent during the second quarter to SEK 1,763 M (1,616). Net sales increased by 13 percent in local currencies.
- > Operating profit amounted to SEK 167 M (117), which corresponds to an operating margin of 9.5 percent (7.2).
- > Profit after tax amounted to SEK 123 M (83).
- > Earnings per share amounted to SEK 1.77 (1.19).
- > On May 30, Axis announced the acquisition of 2N, and the acquisition of Cognimatics on June 3.

The first half of 2016

- > Net sales increased by 12 percent during the period to SEK 3,330 M (2,971). Net sales increased by 13 percent in local currencies.
- > Operating profit amounted to SEK 320 M (261), which corresponds to an operating margin of 9.6 percent (8.8).
- > Profit after tax amounted to SEK 237 M (187).
- > Earnings per share amounted to SEK 3.41 (2.69).

President's comments

During the second quarter, sales amounted to SEK 1,763 M, an increase of 9 percent compared to the same period of the previous year. Sales were positively impacted by a strong performance particularly in North America.

During the first half of 2016, Axis carried out three acquisitions. Two of these – 2N and Cognimatics – were completed during the second quarter. 2N is ranked as the global leading company in IP intercom. Together we can meet the increased demand for integrated intercom solutions. Cognimatics' products are successful in the retail sector, and complement our offering in that market.

In April, Japan was affected by a powerful earthquake, which caused damage to Sony's sensor manufacturing plant. Since Sony is a supplier to Axis, we announced that it could have a negative effect on sales towards the end of 2016. After successfully taking a number of measures, we now estimate that it should have a very limited effect on our product supply.

During the spring, the analysis company IHS presented its yearly report on the video surveillance market that confirmed that the network video market is showing continued growth. The report confirmed that Axis retains its strong market-leading position in the Americas and EMEA regions.

Our high ambitions in the sustainability field are clearly evident in Axis' Sustainability Report for 2015, which was published in April. We are also continuing to show a high rate of innovation. During the second quarter, an advancement of our Zipstream technology was released, as well as AXIS Companion Line, which is targeted towards small businesses.

In late June, we signed an agreement with the Norwegian construction company HENT, which will build Axis' new headquarters with space for 1,300 employees. It is expected to be ready by spring 2019. A continued proximity to the university and colleges will strengthen our presence in Lund.



Ray Mauritsson
President

About Axis Communications Axis offers intelligent security solutions that enable a smarter, safer world. As the 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 2,100 dedicated employees in more than 50 countries around the world, supported by a global network of over 80,000 partners. 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.





Events during the second quarter

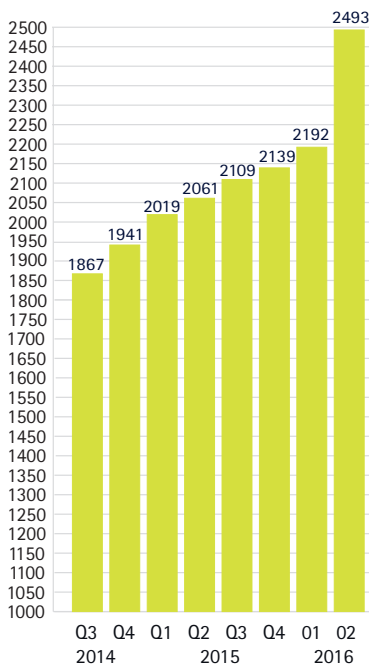
Two important acquisitions

On May 30, Axis announced the acquisition of the Czech company 2N, and on June 3 the acquisition of the Swedish company Cognimatics. 2N is the leading player in the IP intercom field, and is also active in other areas such as IP audio and communication solutions for lifts. The company's well-established sales channels through electricians and telecom installers as well as lift manufacturers can serve as a complement to Axis' present global sales channels. Meanwhile, 2N can benefit from Axis' strong market position and R&D resources. For more financial information about the acquisition, see Note 1.3 on page 10. Cognimatics' applications are used, for instance, to count customers and analyze queues, which strengthens Axis' offering in the rapidly growing retail segment.

Earthquake in Japan has limited effect on Axis

The big earthquake in Japan in the middle of April caused damage to Sony's sensor manufacturing plant. Initially, it was thought that the damage could result in a limited supply of a number of Axis network video products towards the end of 2016, as Sony's sensors are used in several of Axis' network cameras. However, after successfully taking a number of measures, Axis estimates that the damage at Sony's plant will only have a very limited effect on Axis' product supply.

Number of employees



New report shows continued strong network video trend

Earlier during the spring, the analysis company IHS presented its yearly report on the video surveillance market. The analysis, which related to 2015, showed that Axis maintained its strong position as the market leader in the Americas and EMEA regions. IHS estimates the annual growth rate for video surveillance at about 6 percent up to 2020, which is a lower growth rate than what IHS forecasted in last year's report. On the other hand, the annual growth rate for network cameras is estimated at about 12 percent annually, and network cameras are expected to account for about 95 percent of the total global sales value in video surveillance by 2020. This may be compared to about 80 percent in 2015. China accounted for around 40 percent of the global video surveillance market in 2015.

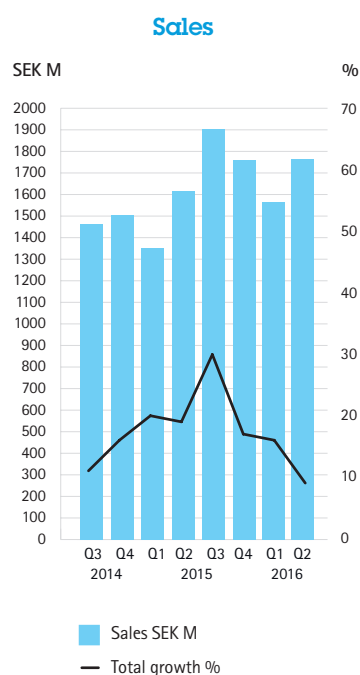
Important releases and participation in trade exhibitions

During the quarter, Axis participated in several exhibitions, including ISC West and IFSEC, and released a number of strategically important products and solutions. The latest release of Axis' Zipstream technology means even lower storage and bandwidth requirements, without lowering image quality. In addition, Axis introduced AXIS Companion Line at the start of the quarter, which offers a complete and integrated system for video surveillance, primarily for smaller businesses. Another example is the AXIS Q1615-E Mk II, which is the first network camera with an intelligent i-CS lens, which delivers exceptional image quality.

Continued growth requires a strong organization

On June 30, Axis signed an agreement with the Norwegian construction company HENT for the construction of Axis' new headquarters in Lund. The new office will house 1,300 employees and is planned to be ready by spring 2019. The new headquarters is a part of Axis' strategy to build a strong organization, which can meet the increasing future demand for Axis' products and solutions. During the second quarter, the number of employees increased by 301 employees to 2,493 in total, of which over 200 are from the companies acquired during the second quarter. The recruitment rate is in line with Axis' estimate of the current market growth rate. The work on strengthening the global partner network through training and certification of existing as well as new partners is also continuing.

Comments on the income statement and balance sheet



Net sales

The second quarter

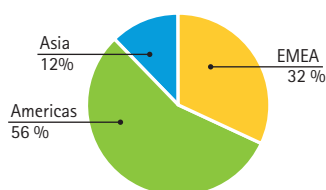
Net sales for the second quarter amounted to SEK 1,763 M (1,616), which was an increase of 9 percent. Sales increased by 13 percent in local currency. Foreign currency effects had a negative impact on sales of SEK 63 M.

Sales in the EMEA region amounted to SEK 565 M (554) during the second quarter, corresponding to growth of 2 percent. Growth was 4 percent in local currency. In EMEA Europe performed well.

Sales in the Americas region amounted to SEK 984 M (860) during the second quarter, corresponding to growth of 14 percent. Sales increased by 18 percent in local currency. The North American market displayed a strong performance, while the market situation in South America remained difficult.

Sales in the Asia region amounted to SEK 213 M (202) during the second quarter, corresponding to growth of 6 percent. Growth increased by 13 percent in local currency. The region still has huge potential and Axis is investing to strengthen its position.

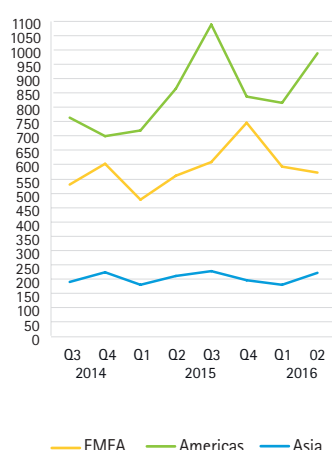
Invoicing per region, Q2 2016



The first half of 2016

Net sales during the period January-June amounted to SEK 3,330 M (2,971), an increase of 12 percent in Swedish kronor and 13 percent in local currency. Foreign currency effects impacted sales negatively during the period by SEK 20 M.

Sales per region, SEK M



Invoiced sales per product group (SEK M)	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015	Q315-Q216 12 months
Video	1,714.9	1,607.6	3,261.8	2,955.1	6,579.4	6,886.1
Other	47.8	8.7	67.9	15.5	55.3	107.7
TOTAL	1,762.7	1,616.3	3,329.7	2,970.6	6,634.7	6,993.8

Invoiced sales per region (SEK M)	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015	Q315-Q216 12 months
EMEA	565.2	554.2	1,150.9	1,024.6	2,366.3	2,492.6
Americas	984.1	859.9	1,794.1	1,572.9	3,489.7	3,710.9
Asia	213.4	202.2	384.7	373.1	778.7	790.3
TOTAL	1,762.7	1,616.3	3,329.7	2,970.6	6,634.7	6,993.8

Earnings

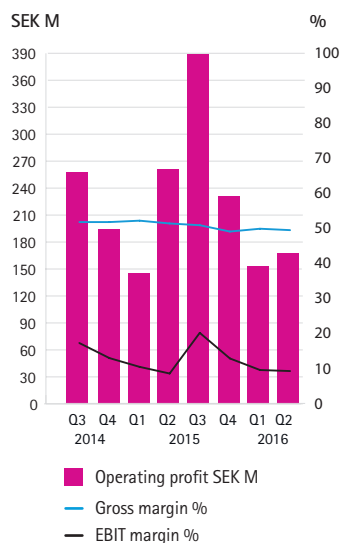
The second quarter

Operating profit during the second quarter amounted to SEK 167 M (117), which corresponds to an operating margin of 9.5 percent (7.2). Expenses connected to acquisitions and for continued expansion had an impact on earnings. Gross margin remains at a stable level and amounted to 49.7 percent (50.8) during the quarter.

Profit before tax was SEK 166 M (116). Profit after tax amounted to SEK 123 M (83). Exchange rate fluctuations impacted operating profit positively by SEK 11 M, compared to the corresponding period of the previous year.



Operating profit



The first half of 2016

The group's operating profit during the first half-year amounted to SEK 320 M (261), which is equivalent to an operating margin of 9.6 percent (8.8). Gross margin amounted to 49.9 percent (51.6). Profit before tax was SEK 319 M (261) and profit after tax was SEK 237 M (187). Exchange rate fluctuations impacted operating profit positively by SEK 11 M, compared to the previous year.

Condensed income statement (SEK M)	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015	Q315-Q216 12 months
Net sales	1,762.7	1,616.3	3,329.7	2,970.6	6,634.7	6,993.8
Gross profit	876.0	821.7	1,661.5	1,531.8	3,372.5	3,502.2
Gross margin (%)	49.7	50.8	49.9	51.6	50.8	50.1
Operating profit	166.8	116.5	319.9	261.3	881.2	939.8
Operating margin (%)	9.5	7.2	9.6	8.8	13.3	13.4
Profit before tax	166.2	116.2	319.4	260.7	880.5	939.2

Cash flow, investments and financial position

Cash flow from operating activities for the period January-June amounted to SEK 243 M (366). Net investments totaled SEK 688 M (92), of which capitalized development costs amounted to SEK 31 M (43). Axis had SEK 525 M (667) in cash and cash equivalents at the end of the period, as well as unutilized credit facilities of SEK 50 M (50). Accordingly, the company had a total of SEK 575 M (717) at its disposal at June 30, 2016.

Equity

Consolidated equity amounted to SEK 1,942 M (1,272). 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 56.3 percent (51.2) at June 30, 2016.

(SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan 1, 2015	0.7	279.2	-15.7	832.9	1,097.1
Total comprehensive income for the period	-	-	9.5	186.7	196.2
Dividend	-	-	-	-21.5	-21.5
Closing balance at June 30, 2015	0.7	279.2	-6.2	998.1	1,271.8
Opening balance at Jan 1, 2016	0.7	279.2	-1.8	1,463.4	1,741.5
Total comprehensive income for the period	-	-	8.3	236.7	245.0
Dividend	-	-	-	-44.5	-44.5
Closing balance, June 30, 2016	0.7	279.2	6.5	1,655.6	1,942.0

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 55 M (50) and operating profit amounted to SEK 33 M (-34). Cash and cash equivalents at the end of the period amounted to SEK 96 M (309) 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. An important factor for continued strong growth is increased penetration in installations for smaller systems and in emerging markets, and broadening of Axis' offer. 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 2015 Annual Report. No new material risks have arisen during 2016.

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 2015 Annual Report. The accounting policies are unchanged compared with those applied in 2015.

The Axis share

The company's share is listed on Nasdaq Stockholm in the Large Cap segment, under the ticker AXIS. Axis' share had a turnover of 1,315,886 shares during the period January-June 2016, which gave an average turnover of 10,786 shares per trading day, to a value of SEK 3,635,243. The average price of the share during the period was SEK 338.

Reporting dates

Axis will report on the following dates during the 2016 fiscal year: Interim report, January-September: October 20. The half-year report provides a true and fair review of the condensed balance sheets and income statements and the explanatory notes provide a true and fair view of the company's financial position and results of operations and the other interim information provides a true and fair review of the company's results and position.

Lund, July 12, 2016

Ray Mauritsson
President

Martin Gren

Håkan Kirstein

Haris Mustafic
Employee representative

Madhavi Kagganti
Employee representative

Biörn Riese
Chairman of the Board

Bert Nordberg

Toshizo Tanaka

Marie Nässlind
Employee representative

Consolidated comprehensive income

(SEK M)	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015	Q315 - Q216 12 months
Net sales	1,762.7	1,616.3	3,329.7	2,970.6	6,634.7	6,993.8
Cost of goods and services sold	-886.7	-794.6	-1,668.2	-1,438.8	-3,262.2	-3,491.6
Gross profit	876.0	821.7	1,661.5	1,531.8	3,372.5	3,502.2
Other income and changes in value	27.7	-8.2	31.0	0.4	-32.6	-2.0
Selling and marketing expenses	-340.7	-319.2	-635.9	-594.3	-1,180.8	-1,222.4
Administrative expenses	-74.0	-111.9	-148.2	-177.9	-292.2	-262.5
Research and development expenses	-322.2	-265.9	-588.5	-498.7	-985.7	-1,075.5
Operating profit *	166.8	116.5	319.9	261.3	881.2	939.8
Net financial items	-0.6	-0.3	-0.5	-0.6	-0.7	-0.6
Profit before tax	166.2	116.2	319.4	260.7	880.5	939.2
Tax	-43.6	-33.6	-82.7	-74.0	-228.4	-237.1
Net profit for the period	122.6	82.6	236.7	186.7	652.1	702.1
Other comprehensive income						
Other comprehensive income items that later may be transferred to the income statement						
Exchange differences	5.9	-2.4	8.3	9.5	13.8	12.6
Other comprehensive income for the period, net after tax	5.9	-2.4	8.3	9.5	13.8	12.6
Total comprehensive income for the period	128.5	80.2	245.0	196.2	665.9	714.7
Total comprehensive income attributable to: the parent company's shareholders						
	128.5	80.2	245.0	196.2	665.9	714.7
Earnings per share for the period, SEK	1.77	1.19	3.41	2.69	9.39	10.11
Number of shares, average, thousands	69,461	69,461	69,461	69,461	69,461	69,461

*Net effects of changes in exchange rates in underlying receivables and liabilities in foreign currencies have impacted operating profit positively by SEK 27 M (negatively by SEK 8 M) in the second quarter and positively by SEK 30 M (positively by SEK 1 M) during the first half-year.

Consolidated statement of cash flows

(SEK M)	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015	Q315 - Q216 12 months
Cash flow from operating activities before change in working capital	102.4	105.6	217.5	221.4	860.1	856.2
Change in working capital	219.6	57.7	25.5	144.8	-56.9	-176.2
Cash flow from operating activities	322.0	163.3	243.0	366.2	803.2	680.0
Cash flow from investing activities	-507.3	-70.1	-687.6	-92.2	-180.5	-775.9
Cash flow from financing activities	-45.3	-21.5	-46.5	-21.5	-21.5	-46.5
Cash flow during the period	-230.6	71.7	-491.1	252.5	601.2	-142.4
Cash and cash equivalents at the start of the period	755.3	595.4	1,015.8	414.6	414.6	667.1
Cash and cash equivalents at the end of the period	524.7	667.1	524.7	667.1	1,015.8	524.7

Consolidated balance sheet

(SEK M)	June 30, 2016	June 30, 2015	Dec 31, 2015
Non-current assets*	1,064.6	419.7	452.9
Inventories	1,111.0	846.8	1,022.2
Trade receivables**	498.3	435.8	423.0
Others receivables	249.4	112.9	124.4
Cash and cash equivalents	524.7	667.1	1,015.8
Total	3,448.0	2,482.3	3,038.3
Equity	1,942.0	1,271.8	1,741.5
Non-current liabilities*	303.0	226.3	282.2
Trade payables	536.3	518.9	532.9
Other current liabilities	666.7	465.3	481.7
Total	3,448.0	2,482.3	3,038.3

*Deferred tax has been reclassified from non-current liabilities to non-current assets by SEK 37 M as of June 30, 2015 and by SEK 39 M as of December 31, 2015.

**This item includes receivables from contract manufacturers of SEK 2 M (June 30, 2015: SEK 2 M; December 31, 2015: SEK 6 M).

Key ratios (see note 2)

	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015
Net sales growth (%)	9.1	19.3	12.1	19.6	21.7
Gross margin (%)	49.7	50.8	49.9	51.6	50.8
Operating margin (%)	9.5	7.2	9.6	8.8	13.3
Profit margin (%)	9.4	7.2	9.6	8.8	13.3
Depreciation/amortization (SEK M)*	114	90	114	90	104
Equity (SEK M)	1,942	1,272	1,942	1,272	1,742
Equity/assets ratio (%)	56.3	51.2	56.3	51.2	57.3
Total assets (SEK M) **	3,448	2,482	3,448	2,482	3,038
Interest-bearing liabilities (SEK M)	4	0	4	0	0
Net receivables, (SEK M)	521	667	521	667	1,016
Capital employed (SEK M)	1,946	1,272	1,946	1,272	1,742
Return on capital employed (%)*	51.0	59.2	51.0	59.2	62.1
Return on equity (%)*	39.8	47.2	39.8	47.2	48.4
Number of employees (average for the period)	2,316	2,044	2,240	2,020	2,065
Sales per employee (SEK M)*	3.0	2.9	3.1	2.9	3.2
Operating profit per employee (SEK M)*	0.4	0.4	0.4	0.4	0.4

*Key ratios have been recalculated to rolling 12-month values where appropriate.

**Comparative figures for total assets have been adjusted due to a reclassification of deferred tax. This has meant that some other key ratios, for example the equity/assets ratio, have been adjusted for the comparative periods.

Per-share data

	June 30, 2016	June 30, 2015	Dec 31, 2015
Share price at end of the period, SEK	334.10	330.20	343.40
Dividend, SEK	0.64	0.31	0.31
P/E ratio*	33	43	37
Earnings per share, SEK	3.41	2.69	9.39
Number of shares, average, thousands	69,461	69,461	69,461
Number of outstanding shares, thousands	69,461	69,461	69,461

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

Quarterly data

Invoiced sales per product group (SEK M)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Video	1,714.9	1,546.9	1,738.8	1,885.5	1,607.6	1,347.5	1,496.2	1,458.3	1,354.0	1,121.2	1,296.6	1,318.8
Other	47.8	20.1	19.6	20.2	8.7	6.8	7.6	3.8	0.7	7.9	1.9	3.6
TOTAL	1,762.7	1,567.0	1,758.4	1,905.7	1,616.3	1,354.3	1,503.8	1,462.1	1,354.7	1,129.1	1,298.5	1,322.4
Invoiced sales per region (SEK M)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
EMEA	565.2	585.7	739.5	602.2	554.2	470.4	596.1	522.9	478.7	401.5	537.1	511.1
Americas	984.1	810.0	832.0	1,084.8	859.9	713.0	692.7	758.2	700.4	591.4	580.0	653.0
Asia	213.4	171.3	186.9	218.7	202.2	170.9	215.0	181.0	175.6	136.2	181.4	158.3
TOTAL	1,762.7	1,567.0	1,758.4	1,905.7	1,616.3	1,354.3	1,503.8	1,462.1	1,354.7	1,129.1	1,298.5	1,322.4
	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net sales growth (%)	9.1	15.7	16.9	30.3	19.3	19.9	15.8	10.6	21.6	15.0	10.1	22.5
Gross profit (SEK M)	876.0	785.5	867.1	973.6	821.7	710.1	784.4	760.9	706.9	569.8	660.6	696.2
Gross margin (%)	49.7	50.1	49.3	51.1	50.8	52.4	52.2	52.0	52.2	50.5	50.9	52.6
Operating profit (SEK M)	166.8	153.1	231.2	388.7	116.5	144.8	199.2	256.5	187.6	72.1	166.0	258.4
Operating margin (%)	9.5	9.8	13.1	20.4	7.2	10.7	13.2	17.5	13.8	6.4	12.8	19.5

Parent company income statement

(SEK M)	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015
Net sales	54.6	49.5	108.3
Gross profit	54.6	49.5	108.3
Administrative expenses	-21.2	-83.6	-110.2
Operating profit	33.4	-34.1	-1.9
Financial income	0.3	8.7	0.5
Financial expenses	-3.8	-0.9	-3.2
Profit before tax	29.9	-26.3	-4.6
Appropriations	-	-	614.4
Tax	-6.6	-	-135.1
Net profit for the period	23.3	-26.3	474.7

Parent company balance sheet

(SEK M)	June 30, 2016	June 30, 2015	Dec 31, 2015
Non-current assets	43.2	6.7	5.5
Receivables from group companies	1,523.8	661.7	1,168.8
Trade receivables and other receivables	3.1	5.9	2.3
Tax assets	44.7	41.0	0.0
Cash and cash equivalents	95.8	309.3	578.2
Total	1,710.6	1,024.6	1,754.8
Equity	855.5	375.6	876.6
Untaxed reserves	843.5	637.9	843.5
Liabilities to group companies	0.9	0.9	1.0
Current liabilities	10.7	10.2	33.7
Total	1,710.6	1,024.6	1,754.8

NOTE 1 Acquisitions

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

1.1 Citilog SA

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

At the time of the acquisition, Citilog had 29 employees. For the fiscal year ended on March 31, Citilog's sales amounted to about SEK 50 M. Citilog's results and assets and liabilities are consolidated from January 31, 2016. The acquisition has not had a significant impact on Axis' sales and operating profit. Expenses in connection with the acquisition of SEK 3.2 M were charged to earnings during 2016.

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

Preliminary purchase price analysis	SEK M
Impact on cash and cash equivalents	
Purchase price	91.1
Less: acquired cash balances	-27.9
Impact on cash and cash equivalents	63.2
Fair value of identifiable assets and liabilities in Citilog on the acquisition date	
Non-current assets	1.0
Inventories	4.1
Trade receivables	13.8
Others receivables	6.8
Cash and cash equivalents	27.9
Total assets	53.6
Non-current liabilities	3.5
Trade payables	1.7
Other current liabilities	15.3
Total liabilities	20.5
Total identifiable net assets at fair value	33.1
Goodwill	58.0
Purchase price	91.1

1.2 Axis Stockholmsledet 11 AB

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

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

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

1.3 2N Telekomunikace a.s.

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

At the time of the acquisition, 2N had 197 employees. In 2015, the 2N companies' sales amounted to just over SEK 200 M. 2N's results and assets and liabilities are consolidated from May 30, 2016.

The acquisition impacted consolidated sales by SEK 25 M and operating profit by SEK -0.4 M during 2016. Expenses in connection with the acquisition of SEK 3.9 M were charged to earnings during 2016.

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

Preliminary purchase price analysis	SEK M
Impact on cash and cash equivalents	
Initial purchase price	437.8
Less: acquired cash balances	-20.5
Impact on cash and cash equivalents	417.3
Fair value of identifiable assets and liabilities in 2N on the acquisition date	
Non-current assets	13.7
Inventories	47.8
Trade receivables	40.1
Others receivables	2.9
Cash and cash equivalents	20.5
Total assets	125.0
Non-current liabilities	1.6
Trade payables	29.3
Other current liabilities	9.0
Total liabilities	39.9
Total identifiable net assets at fair value	85.1
Goodwill	390.8
Purchase price	475.9

Note 2 Key ratios

2.1 Definitions

Return on equity

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

Return on capital employed

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

Gross margin

Gross profit as a percentage of net sales.

Net receivables

Net interest-bearing receivables and liabilities.

Sales per employee

Net sales divided by the average number of employees.

P/E ratio

Share price divided by earnings per share.

Earnings per share

Net profit for the year divided by the average number of shares.

Operating margin

Operating profit as a percentage of net sales.

Operating profit per employee

Operating profit divided by the average number of employees.

Equity/assets ratio

Equity as a percentage of total assets.

Capital employed

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

Profit margin

Profit after tax as a percentage of net sales.

2.2 Aim

Return on equity

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

Return on capital employed

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

Net receivables

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

Sales per employee

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

P/E ratio

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

Operating profit per employee

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

Equity/assets ratio

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

2.3 Reconciliation with financial statements according to IFRS

	Q2 2016	Q2 2015	Q1-Q2 2016	Q1-Q2 2015	Full-year 2015
Return on equity					
Profit after financial items R12	939	717	939	717	881
Full tax	-207	-158	-207	-158	-194
Profit after financial items R12 less full tax	733	559	733	559	687
Average equity	1,842	1,185	1,842	1,185	1,420
	39.8%	47.2%	39.8%	47.2%	48.4%
Return on capital employed					
Profit after financial items R12	939	717	939	717	881
Financial expenses R12	-1	0	-1	0	-1
Profit after financial items R12 plus financial expenses	940	717	940	717	882
Average capital employed	1,844	1,212	1,844	1,212	1,420
	51.0%	59.2%	51.0%	59.2%	62.1%
Net receivables					
Cash and cash equivalents	525	667	525	667	1,016
Interest-bearing liabilities	-4	0	-4	0	0
	521	667	521	667	1,016
Sales per employee					
Net sales R12	6,994	5,937	6,994	5,937	6,635
Average number of employees	2,316	2,044	2,240	2,020	2,065
	3.0	2.9	3.1	2.9	3.2
P/E ratio					
Share price at end of the period	334.10	330.20	334.10	330.20	343.40
Earnings per share R12	10.11	7.70	10.11	7.70	9.39
	33	43	33	43	37
Operating profit per employee					
Operating profit R12	940	717	940	717	881
Average number of employees	2,316	2,044	2,240	2,020	2,065
	0.4	0.4	0.4	0.4	0.4
Equity/assets ratio					
Equity	1,942	1,272	1,942	1,272	1,742
Total assets	3,448	2,482	3,448	2,482	3,038
	56.3%	51.2%	56.3%	51.2%	57.3%

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

For further information please contact:

Björn Hallerborn, PR & Corporate Communications Manager

E-mail: pressoffice@axis.com

Tel: +46 46 272 18 00



Axis AB (publ)

Org.nr. 556241-1065

Emdalavägen 14, 223 69 Lund

Tel: 046 272 18 00

www.axis.com

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