

# Invitation to acquire shares in Profoto Holding AB (publ)

SOLE GLOBAL COORDINATOR  
AND JOINT BOOKRUNNER

*Carnegie*

JOINT BOOKRUNNER

**Handelsbanken** Capital Markets

RETAIL MANAGER

**AVANZA** 

 **Profoto**<sup>®</sup>



## IMPORTANT INFORMATION TO INVESTORS

This prospectus (the "**Prospectus**") has been prepared in connection with the offering to the public in Sweden and listing on Nasdaq Stockholm of shares in Profoto Holding AB (publ) (a Swedish public limited liability company) (the "**Offering**"). In the Prospectus, the "**Profoto**", the "**Company**" or the "**Group**" refers to Profoto Holding AB (publ), the group in which Profoto Holding AB (publ) is the parent company, or a subsidiary of the group, as the context may require. The "**Principal Owner**" or "**Profoto Invest**" refers to Profoto Invest AB. The "**Managers**" refers to Carnegie Investment Bank AB (publ) ("**Carnegie**") and Svenska Handelsbanken AB (publ) ("**Handelsbanken Capital Markets**"). See section "*Certain definitions*" for the definitions of these and other terms in the Prospectus.

The figures included in the Prospectus have, in certain cases, been rounded off and, consequently, the tables contained in the Prospectus do not necessarily add up. All financial amounts are in Swedish kronor ("**SEK**"), unless indicated otherwise. "**SEKm**" indicates millions of SEK and "**SEKk**" indicates thousands of SEK.

The Offering is not directed to the general public in any country other than Sweden. Nor is the Offering directed to such persons whose participation requires additional prospectuses, registrations or measures other than those prescribed by Swedish law. No measures have been or will be taken in any other jurisdiction than Sweden, that would allow any offer of the shares to the public, or allow holding and distribution of the Prospectus or any other documents pertaining to the Company or shares in such jurisdiction. Applications to acquire shares that violate such rules may be deemed invalid. Persons into whose possession the Prospectus comes are required by the Company and the Managers to inform themselves about and to observe such restrictions. Neither the Company nor either of the Managers accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. The shares in the Offering have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Prospectus. Any representation to the contrary is a criminal offence in the United States. The shares in the Offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. All offers and sales of shares outside the United States will be made in compliance with Regulation S under the Securities Act. The information contained in the Prospectus has been provided by the Company and other sources identified herein. Distribution of the Prospectus to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the Company's prior written consent, is prohibited. Any reproduction or distribution of the Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The Prospectus is personal to each offeree and does not constitute any offer to any other person or to the general public to acquire shares in the Offering.

The Offering and the Prospectus are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Prospectus.

A separate prospectus in Swedish has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**") as competent authority according to regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The SFSA approves of the Swedish prospectus only to the extent that it meets the requirements for completeness, comprehensibility and consistency set out in the Prospectus Regulation and this approval should not be regarded as any kind of support for the issuer referred to in the Swedish prospectus.

In the event of any conflict between the English and the Swedish prospectus, the Swedish prospectus shall prevail.

### Notice to prospective investors in the United Kingdom

This Prospectus may only be distributed to "qualified investors" (as defined in section 2(e) of the Prospectus Regulation as it forms part of UK domestic law by virtue of the UK European Union (Withdrawal) Act 2018 (as amended and supplemented from time to time) (the "**UK Prospectus Regulation**") who are (i) persons having professional experience in matters relating to investments falling within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) outside the United Kingdom, or (iv) persons to whom an invitation or inducement to engage in investment activity (within the Meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to and will be engaged in only with relevant persons. In connection with the Offering, the Managers are not acting for anyone other than the Company and will not be responsible to anyone other than the Company.

### Notice to prospective investors in the European Economic Area

This Prospectus has been prepared on the basis that any offer of shares in any member state of the EEA (each such state a "**Relevant State**") (with the exception of Sweden) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of shares. The shares are not intended to be offered or sold to and should not

be offered or sold to any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Offering or selling shares or otherwise making them available to any retail investor in the EEA may be unlawful.

### Stabilization

In connection with the Offering, Carnegie may carry out transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. Carnegie is, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, Carnegie shall disclose that stabilization transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilization period, Carnegie will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

### Important information about the sale of shares

Note that notifications about allotment to the public in Sweden will be made through distribution of contract notes, expected to be distributed on 1 July 2021. Institutional investors are expected to receive notification of allotment on or about 1 July 2021 in particular order, whereupon contract notes are dispatched. After payments for the allocated shares have been processed by the Managers, the duly paid shares will be transferred to the securities depository account or the securities account specified by the acquirer. The time required to transfer payments and transfer duly paid shares to the acquirers of shares in Profoto means that these acquirers will not have shares available in the specified securities depository account or the securities account until 5 July 2021, at the earliest. Trading in Profoto's shares on Nasdaq Stockholm is expected to commence on or around 1 July 2021. Accordingly, if shares are not available in an acquirer's securities account or securities depository account until 5 July 2021 at the earliest, the acquirer may not be able to sell these shares on the stock exchange as from the time trading in the shares commences, but first when the shares are available in the securities account or the securities depository account.

### Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares have been subject to a product approval process, which has determined that the shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the shares may decline and investors could lose all or part of their investment; the shares offer no guaranteed income and no capital protection; and an investment in the shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to investors in Sweden conducted pursuant to the Swedish prospectus that has been approved by and registered with the SFSA).

### Presentation of financial information

Unless otherwise stated herein, no financial information in the Prospectus has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Prospectus and that is not a part of the information that has been audited or reviewed by the Company's auditor in accordance with what is stated herein, has been collected from the Company's internal accounting and reporting system. All financial amounts are in SEK, unless indicated otherwise. Figures reported in the Prospectus have in some cases been rounded and therefore the tables do not necessarily always add up exactly.

### Forward-looking statements

The Prospectus contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts",

"projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Prospectus concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial condition and results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favorable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Prospectus, including the following sections: "*Summary*", "*Risk factors*", "*Business overview*" and "*Operating and financial review*", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. None of the Company, the Principal Owner or any of the Managers can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Prospectus may not occur. Moreover, the forward-looking estimates and forecasts derived from third party studies referred to in the Prospectus may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets on which the Company operates, changes affecting interest rate levels, changes affecting currency exchange rates, changes in competition levels, changes in laws and regulations, and occurrence of accidents or environmental damages.

After the date of the Prospectus, none of the Company, the Principal Owner or any of the Managers assume any obligation, except as required by law or the Nordic Main Market Rulebook for Issuers of Shares, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

### Business and market data

This Prospectus contains statistics and other data on the Company's industry that have been derived from third party sources, including a market study that the Company commissioned from Ernst & Young AB ("**EY-Parthenon**"), conducted primarily during the period 8 March to 27 April 2021 (the "**Market Study**"). The Market Study will be made available on the Company's webpage in connection with the publication of the Prospectus. Information derived from the Market Study may not reflect events after its completion date. The industry and market data obtained from third party sources in the Market Study has been specifically commissioned by the Company. Information sourced as the Market Study has been developed through a multi-faceted process of triangulation of available published market research and market analyses (for example, secondary research sources, official statistics (for example national statistical databases), interviews (approximately 40 performed), information on competitor websites as well as Company business intelligence and Company/management estimates, financial information and market knowledge. Furthermore, the Market Study is developed by market analysts and not market experts and the Market Study should be considered as an estimate in a complex market at the time of the preparation of the Market Study. The Covid-19 analysis in the Market Study is based primarily on interviews in the market conducted 8 March to 27 April 2021, and as the Covid-19 pandemic is ongoing, its full development cannot be predicted and conclusions in the Market Study relating thereto could thus be subject to change. Information sourced from third-parties has been accurately reproduced, and, as far as the Company is aware and is able to ascertain from other information published by such third-parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information sourced from third-parties has been presented, the source of such information has been identified. Market statistics and industry data and statistics are inherently unpredictable and subject to uncertainty and not necessarily reflective of actual market conditions. Market statistics and industry data that have been derived from third party sources have not been independently verified by the Company or its representatives. EY-Parthenon has performed the market study exclusively in its capacity as an advisor to the Company and accepts no responsibility or liability to any person regarding the Market Study or other industry and market data that has come from third party sources, in relation to third party. Reliance upon any information where the Market Study or other third party sources is quoted as the source is at your own risk.

The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Prospectus that were extracted or derived from the Market Study. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

Information provided by third-parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third-parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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## Summary of the Offering

### Offering price

SEK 66 per share

### Application period for the general public

22-30 June 2021

### First day of trading in Profoto's shares

1 July 2021

### Settlement date

5 July 2021

### Other information

Ticker: PRFO

ISIN code: SE0015962147

LEI code: 5493008RTPUAOFW3SX33

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## Financial calendar

Interim report for the period 1 January 2021–30 June 2021,  
Q2, 10 August 2021

Interim report for the period 1 January 2021–30 September  
2021, Q3, 4 November 2021

Year-end report for 2021, 10 February 2022

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## Certain definitions

<i>Carnegie</i>	Carnegie Investment Bank AB (publ)
<i>CNY</i>	Renminbi (Chinese yuan)
<i>EUR</i>	Euro
<i>Euroclear Sweden</i>	Euroclear Sweden AB
<i>GBP</i>	Pound sterling
<i>Handelsbanken Capital Markets</i>	Svenska Handelsbanken AB (publ)
<i>JPY</i>	Japanese yen
<i>Managers</i>	Carnegie and Handelsbanken Capital Markets
<i>Nasdaq Stockholm</i>	The regulated market operated by Nasdaq Stockholm AB
<i>Principal Owner</i>	Profoto Invest AB
<i>Profoto, the Company or the Group</i>	Profoto Holding AB, the group in which Profoto Holding AB is the parent company or a subsidiary of the group, as the context may require
<i>SEK</i>	Swedish krona
<i>USD</i>	US Dollar

# Summary

## Introduction and warnings

### Introduction and warnings

This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on a consideration of the Prospectus as a whole by the investor.

Any decision to invest in securities entails risks and an investor may lose all or part of the invested capital.

Where statements in respect of information contained in the Prospectus are challenged in a court of law, the plaintiff investor may, in accordance with member states' national legislation, be forced to pay the costs of translating the Prospectus before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Prospectus or if it does not, together with the other parts of the Prospectus, provide key information to help investors when considering whether to invest in the securities.

### The issuer

Profoto Holding AB (publ), Reg. No. 556810-9879  
P.O. Box 1264, SE-172 25, Sundbyberg, Sweden  
Telephone number: +46 8 447 53 00  
LEI-code: 5493008RTPUAOFW3SX33  
Ticker: PRFO  
ISIN-code: SE0015962147

### Competent Authority

Finansinspektionen is the Swedish Financial Supervisory Authority (the "SFSA") and the competent authority responsible for approving the Swedish language version of the Prospectus (the "Swedish Prospectus").

The SFSA's visiting address: Finansinspektionen, Brunnsgatan 3, SE-111 38, Stockholm, Sweden.

The SFSA's postal address: P.O. Box 7821, SE-103 97 Stockholm, Sweden.

E-mail: finansinspektionen@fi.se

Telephone: +46(0)8-408 980 00

The SFSA's webpage is [www.fi.se](http://www.fi.se).

The Swedish Prospectus was approved by the SFSA on 21 June 2021.

### Information on the selling shareholder

Profoto Invest AB, Reg. No. 559099-2326. P.O. Box 1264, SE-172 25, Sundbyberg, Sweden. Profoto Invest's registered office is in the municipality of Sundbyberg, Stockholm county, Sweden. Profoto Invest is a Swedish private limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The company's form of association is governed by the Swedish Companies Act (2005:551) (Sw. *aktiebolagslagen*). Profoto Invest's LEI-code is 549300QPKGP9Z4OR9E33.



## Key information on the issuer

### Who is the issuer of the securities?

#### The issuer's registered office and corporate form

The issuer of the securities is Profoto Holding AB (publ), Reg. No. 556810-9879. The Company's registered office is in Stockholm, Sweden. The Company is a Swedish public limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act. The Company's LEI-code is 5493008RTPUAOFW3SX33.

#### The issuer's principal activities

Profoto is a business-to business company reaching out primarily to professional photographers. Profoto develops, markets and sells complete lighting systems for professional photography, including flashes and light shaping tools. The products combine both hardware and software, and together they form a system which works smoothly and seamlessly. The Company is a premium niche global leader in photography lighting solutions. This in turn is part of a larger and fast-changing image and content creation market. End users are professional photographers, commercial accounts, such as large consumer-oriented brands and e-commerce companies, as well as content creators. All end users are characterized by the fact that they are image creators rather than just picture takers, and for them light shaping is the essential part of the process. While Profoto's products include leading technology enabling, for example, short flash duration, fast recharging and extensive power range, its products are also intuitive, robust and easy to use, allowing the photographer to focus on being creative and getting the best shots.

Since its establishment in 1968, Profoto's products have garnered a loyal following among the world's leading photographers. Consequently, its brand connotes a premium product with a corresponding premium price point. Profoto is a global company with sales in more than 60 countries and local representation in North America, Asia and Europe, with its headquarters located in Stockholm, Sweden. The Company sells its products through 276 active dealers globally. Since launching its own online store, profoto.com, in 2018, Profoto also offers its products directly to end users in North America, the EU, the UK and Japan. Its products can also be purchased online through dealers.

#### The issuer's major shareholders

As at the date of the Prospectus and before the completion of the Offering, the Company's sole shareholder is Profoto Invest AB, holding 40,000,000 shares, corresponding to 100 percent of the shares and votes. However, immediately following the completion of the Offering, Profoto Invest will distribute the remaining shares in the Company (i.e. the shares that are not sold in the Offering) to the shareholders of Profoto Invest. Thus, the shareholders of Profoto Invest will receive a direct ownership in the Company. Assuming that the Over-allotment option is exercised in full, the Company's largest shareholders will, after completion of the Offering, be Burken Invest AB (which is controlled by Anders Hedebark) with 37.8 percent of the shares and votes in the Company, and Nedergransta Förvaltning AB (which is controlled by Conny Dufgran), with 15.0 percent of the shares and votes.

#### Key managing directors

The Company's board of directors consists of Hans Eckerström (chairman), Anders Hedebark (board member and CEO), Magnus Brännström, Pernilla Ekman, Helena Holmgren and Helene Willberg (board members).

The Company's executive management consists of Anders Hedebark (board member and CEO), Petter Sylvan (CFO), Ulrika Björk (VP R&D), Tobias Lindbäck (VP Strategy & Alliances), Martina Nillénstedt (VP Product Marketing & Brand), Patrik Bluhme (VP Global Sales), Gilles Rossi (VP Operations and Quality), Sara Strid (VP Profoto.com) and Gunilla Öhman (Head of Investor Relations).

#### Auditor

Deloitte AB with Therese Kjellberg as auditor in charge.

## Key information on the issuer, cont.

## Key financial information regarding the issuer

## Key financial information in summary

## Selected income statement items

	Full year			January - March	
	2020 Audited IFRS	2019 Audited IFRS	2018 Audited IFRS	2021 Unaudited IAS34	2020 Unaudited IAS34
<b>SEKm</b>					
Total revenue	531.0	839.9	689.1	156.3	154.5
Operating profit/loss (EBIT)	-11.9	222.1	182.8	39.7	12.9
Profit/loss for the year/period	-17.4	177.2	148.5	31.1	10.5
Net sales growth adjusted for currency effect, % <sup>1</sup>	-35.0	14.5	0.2	13.2	-32.9
EBIT margin, % <sup>1</sup>	-2.2	26.7	26.9	25.9	8.7

## Selected balance sheet items

	Full year			January - March	
	2020 Audited IFRS	2019 Audited IFRS	2018 Audited IFRS	2021 Unaudited IAS34	2020 Unaudited IAS34
<b>SEKm</b>					
Total assets	673.4	698.3	474.2	709.7	670.5
Total equity	333.6	346.9	200.1	362.2	353.3
Net debt <sup>1</sup>	-90.9	22.6	48.5	-124.4	-7.2

## Selected cash flow items

	Full year			January - March	
	2020 Audited IFRS	2019 Audited IFRS	2018 Audited IFRS	2021 Unaudited IAS34	2020 Unaudited IAS34
<b>SEKm</b>					
Cash flow from operating activities	153.3	170.8	148.5	42.3	38.6
Cash flow from investing activities	38.1	-133.1	-84.6	-88.1	-10.8
Cash flow from financing activities	16.3	-31.8	-44.5	9.1	6.5

1) Unaudited.



## Key information on the issuer, cont.

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### Key risks that are specific to the issuer

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#### Main risks related to the issuer

Main risks related to the issuer include:

- the risk of Profoto having problems in its production and business as a result of in principle all non-core business operations are outsourced to third parties, which could lead to increased costs, disruption in production and the loss of customers or an impairment in the Company's ability to attract new customers;
- the risk of Profoto not receiving timely deliveries of critical components for assembly and completion of its products, which could lead to a general dissatisfaction among customers, the Company being forced to compensate customers for late or faulty deliveries and adversely affect the Company's supply chain;
- the risk of the Company being unsuccessful in attracting and retaining key employees, which could materially adversely affect the Company's earnings and financial position;
- the risk of a deficient innovation capacity could lead to that the Company adopts misplaced business models and costly development decisions;
- the risk of new technology and solutions replacing flash photography and video filming replacing traditional photography, which can lead to a drastic decrease in demand for Profoto's products;
- the risk of the outbreak of Covid-19 will continue to have a material adverse impact on Profoto's financial position and earnings in the future; and
- the risk of Profoto's business will be negatively impacted by, inter alia, changes in the political situation, the occurrence of trade conflicts, changed customs and trading regulations, shutdowns or bans or restrictions on the use of social media.

## Key information on the securities

### The main features of the securities

<b>Securities offered</b>	<p>Shares in Profoto Holding AB (publ), Reg. No. 556810-9879. ISIN code SE0015962147. The shares are denominated in SEK.</p> <p>The shares' quota value is SEK 0.0125.</p>
<b>Total number of shares in the Company</b>	<p>As at the date of this Prospectus, there are 40,000,000 issued shares in the Company.</p> <p>The Offering comprises no more than 14,259,382 shares.</p>
<b>Rights associated with the securities</b>	<p>Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue. The shares carry the right to payment of dividend for the first time on the record date for distribution which falls immediately after the completion of the Offering. All shares in the Company give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation. The shares are not subject to any restrictions on transferability.</p> <p>The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act.</p>
<b>Dividend policy</b>	<p>Profoto aims to pay out at least 50 percent of its net profit, while also taking into account other factors such as financial position, cash flow and growth opportunities.</p>

### Where will the securities be traded?

<b>Admission to trading</b>	<p>On 10 June 2021, Nasdaq Stockholm's listing committee made the assessment that the Company fulfils the applicable listing requirements on Nasdaq Stockholm. Nasdaq Stockholm will approve an application for admission to trading of the Company's shares on Nasdaq Stockholm subject to certain conditions, including that the Company submits such application and fulfils the distribution requirement for its shares. Trading in the Company's shares is expected to commence on 1 July 2021.</p>
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### What are the key risks that are specific to the securities?

<b>Main risks related to the securities</b>	<p>Main risks relating to the Offering and the Company's shares consist of:</p> <ul style="list-style-type: none"> <li>• that the liquidity in the Company's share can be limited and that the share price can be volatile;</li> <li>• that sales of shares by existing shareholders could cause the share price to decline; and</li> <li>• that the Company's larger shareholders will continue to have a substantial influence over Profoto after the Offering.</li> </ul>
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# Key information on the offer of securities to the public and the admission to trading on a regulated market

## Under which conditions and timetable can I invest in this security?

### Offering forms and conditions

#### *The Offering*

The Offering comprises no more than 14,259,382 existing shares in Profoto offered by the Principal Owner and is divided into two parts: (i) offer to the general public in Sweden and (ii) offer to institutional investors in Sweden and abroad.

#### *Over-allotment Option*

Burken Invest AB and Nedergransta Förvaltning AB have provided the Managers with an over-allotment option entitling the Managers to, not later than 30 days from the first day of trading in the Company's shares on Nasdaq Stockholm, request that a maximum of 2,138,907 additional existing shares are to be acquired from Burken Invest AB and Nedergransta Förvaltning AB, corresponding to a maximum of 15 percent of the number of shares in the Offering.

#### *Offering Price*

The price per share in the Offering (the "Offering Price") is SEK 66 and has been set by the Principal Owner in consultation with the Managers based on a number of factors, including discussion with certain institutional investors, a comparison with the market price of other listed peer companies, the current market situation, and estimates regarding the Company's business opportunities and future profitability. No commission will be payable.

#### *Application*

Applications from the general public for the acquisition of shares must be made between 22 June 2021 and 30 June 2021, 15:00 (CET) and pertain to a minimum of 100 shares and a maximum of 15,400 shares, in even lots of 50 shares. Only one application per investor may be made. If more than one application is submitted, the Principal Owner and Carnegie reserve the right to consider only the first application received. The application is binding.

#### *Allotment*

Decisions concerning the allotment of shares will be made by the Company and the Principal Owner in consultation with Carnegie, whereby the objective will be to achieve a strong institutional ownership base and a wide distribution of shares among the public to enable regular and liquid trading of the Company's shares on Nasdaq Stockholm. Allotment is not dependent on when during the relevant application period the application was submitted.

#### *Listing*

On 10 June 2021, Nasdaq Stockholm's listing committee has assessed that the Company fulfils Nasdaq Stockholm's listing requirement, subject to customary conditions, including fulfilment of the distribution requirement not later than the listing date and that the Company applies for its shares to start trading on Nasdaq Stockholm. It is expected that trading in the Company's shares on Nasdaq Stockholm will commence on 1 July 2021.

### Expected timetable for the Offering

Application period: 22-30 June 2021  
Notification of allotment: 1 July 2021  
Announcement of outcome in the Offering: 1 July 2021  
First day of trading on Nasdaq Stockholm: 1 July 2021.  
Settlement date: 5 July 2021

### Costs for the Offering

The Company's costs for the Offering are estimated to amount to approximately SEK 25m and are primarily attributable to compensation to financial and legal advisers, auditors and costs attributable to the Prospectus and company presentations.

## Key information on the offer of securities to the public and the admission to trading on a regulated market, cont.

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### Who is the offeror and/or the person requesting admission to trading?

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**Offeror of the securities**

The offeror of the securities is Profoto Invest AB, Reg. No. 559099-2326. Profoto Invest AB, with registered office in the municipality of Sundbyberg, Stockholm county, Sweden, is a Swedish private limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The company's form of association is governed by the Swedish Companies Act. Profoto Invest's LEI-code is 549300QPKGP9Z4OR9E33.

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**Person requesting admission to trading on a regulated market**

The person requesting admission to trading is Profoto Holding AB (publ).

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### Why is this Prospectus being produced?

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**Reasons for the Offering**

The board of directors of Profoto believes that the Offering and listing of the Company's shares is a logical and important step in Profoto's development while allowing for a transfer of one of the co-founders', Conny Dufgran, ownership in Profoto. The Offering and listing will broaden the Company's shareholder base and give Profoto access to the Swedish and international capital markets, which is considered to promote the Company's continued growth and development through increased awareness of Profoto and its operations. The Offering allows the Principal Owner to sell a portion of its current shareholding and to create a liquid market for the shares henceforth.

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**Conflict of interests**

The Managers provide financial advisory and other services to the Company and the Principal Owner in connection with the Offering, for which they will receive a commission equal to a certain percentage of the gross revenue of the shares sold in the Offering. In addition, the Principal Owner may choose to pay to the Managers a discretionary fee. The amount and allocation between the Managers will be determined on the first day of trading in the Company's shares on Nasdaq Stockholm.

From time to time, the Managers may also provide services, in the ordinary course of business and in connection with other transactions, to the Principal Owner and the Company and parties affiliated to them. In addition, Svenska Handelsbanken AB (publ) is a lender to the Company.



# Risk factors

*This section contains the risk factors and significant circumstances considered to be material to the Group's business and future development. The risk factors relate to the Group's business, industry and markets, and further include operational risks, legal risks, regulatory risks, risks related to governance, tax, financial matters as well as risk factors related to the Offering and the Company's shares. The assessment of the materiality of each risk factor is based on the probability of its occurrence and the expected magnitude of its negative impact. In accordance with the Prospectus Regulation, the risk factors mentioned below are limited to risks which are specific to the Company and to the securities and which are material for taking an informed investment decision.*

*The description below is based on information available as of the date of the Prospectus. The risk factors that are currently considered to be the most material are presented first in each category and the subsequent risk factors are presented in no particular order.*

## Operational risks

### **Profoto has adopted an asset-light business model and outsources all non-core business, which exposes the Company to certain risks**

Profoto has adopted an asset-light business model, meaning that in principle all non-core business operations, such as production, warehousing, accounting, IT, service and repairs and non-core development within research and development, are outsourced, mainly to low cost countries. For example, production of the Profoto light products is outsourced to two EMS providers (Electronic Manufacturing Suppliers), whereby the outsourced production is located in Russia<sup>1</sup> and Poland through one of the EMS providers while the other EMS provider has production in Thailand. Further, the Group has entered into different kinds of agreements in relation to logistics and warehousing regarding its four warehousing centers located in Sweden (Stockholm), US (New Jersey), China (Shanghai) and Japan (Tokyo). The Company believes that an asset-light business model has several advantages, such as increased flexibility and access to experts within the outsourced areas which enables the Company to focus on its core business, namely sales & marketing and product development/research and development (R&D). However, there are considerable risks associated with this business model. For example, Profoto is dependent to a significant degree on external personnel within the outsourced non-core areas, and there is a risk that such external personnel are not able to meet the Group's high standards in terms of quality of the services and products provided, for example due to insufficient incentives, knowledge or abilities. This risk is heightened due to the highly technical nature of the Company's services and products and the high demands of end users for functionality of the services and products. There is also a risk that third party service and product providers are unable to deliver the relevant services and products in a timely manner due to, for example, lack of resources or the prioritization of other customers over Profoto, or that such non-deliveries results from insufficient agreements or understandings with Profoto as to the content of the acquired services and products. If the Company fails to contract and maintain third party service providers with the requisite ability and resources within relevant areas, on terms advantageous for Profoto or at all, there is a risk that the Company will be affected by increased costs and disruptions through the production chain and that the services and products delivered to end users do not meet expectations, which could in turn result in the loss of customers, an impairment in the Company's ability to attract new customers and the Company being unable to sustain or grow its current market position. In the event that any of the risks associated with the Company's business model materialize, this could have a material negative impact on the Company's competitive position, earnings and position within the light shaping industry.

### **The Company is dependent on supplies of components for its products**

As a result of its asset-light business model, Profoto is dependent to a significant degree on timely deliveries of critical components to the production facilities for the assembly and completion (including, where applicable, final kitting) of its products. The Group's warehousing capacity is intentionally limited to keep inventory levels low and, consequently, in order for the Group to be able to produce and deliver its products to customers on a timely basis, the Group requires the timely delivery of supplies of ordered products from its suppliers. Profoto is particularly dependent on a small number of suppliers that provide certain key components and raw materials, such as cobalt, for use in the Company's products. The supply of such components and raw materials from other suppliers is limited. Accordingly, Profoto could be negatively affected by suppliers being impacted by economic, legal or operational problems or limitations on their businesses, especially since Profoto cannot always control or have insight into its suppliers' actions. Thus, there is a risk that a loss of suppliers, the failure to deliver supplies on a timely basis or at all or the failure of supplies to meet the Company's quality specifications will result in Profoto's deliveries to distributors, dealers and customers being delayed or cancelled or failing to meet customers' quality standards. For example, in March 2021, the Company encountered certain difficulties as the Suez Canal in Egypt was blocked by a container ship, which caused delays in the delivery of certain components, such as batteries, to the Company's production facilities. Further, the Company's suppliers of batteries have on certain occasions indicated that increasing demand for batteries from the motor industry could result in future shortages and delayed supplies. In addition, Profoto has one supplier, Eclatron A.G., that is essential to the Group's business, with whom Profoto has a long-standing relationship. Eclatron manufactures and supplies curved/round flash tubes made of hand-blown glass, which requires a certain kind of technology and competence. The components manufactured by Eclatron are part of Pro-11, D2, B1X and B10 family, standing for a significant part of Profoto's turnover. However, there is no written agreement in place between the Group and Eclatron. Instead, a consultancy agreement has been concluded with Jacob Consulting A.G., a company which is owned by the owner of Eclatron. The idea behind the consultancy agreement is to secure the supply of services and components similar to the ones provided by Eclatron, in the event that Eclatron cannot supply the Group in accordance with its orders. Given that there is no written agreement in place with Eclatron, Profoto must rely to some extent on custom between the parties. Therefore, the content of Profoto and Eclatron's oral agreement may be more difficult to determine if the parties would have different views in relation thereto, which could lead to a deteriorating relationship, time-consuming and costly disputes and the loss of an important supplier. There is a risk that the Company would not succeed in

<sup>1</sup>) Through agreement entered into with a Swedish limited liability company which in turn has own internal operations in Russia.

identifying an equivalent replacement for Eclatron should that be the case, and thus the Company's future sales revenues are therefore dependent on Eclatron supplying the Company with its manufactured components.

If the risks relating to supply of components to the Company's products were to materialize, this could lead to general dissatisfaction among customers, the Company being forced to compensate customers for failures to deliver or late or faulty deliveries, damage to relationships with distributors, dealers and customers. This could in turn adversely affect the Company's supply chain and hence its earnings and financial condition.

***Profoto is dependent on attracting and retaining key employees***

The Company's business is dependent to a significant degree on Profoto's ability to attract and retain competent employees, in particular in management positions where the ability to manage matters relating to the Company's core business, such as sales, marketing, innovation and product development, is particularly important. Further, the Company operates in a complex international environment, with highly technical products, which requires personnel with technical expertise and detailed knowledge of the Company's technology and industry. The Company's possibilities to achieve its business objectives are dependent on the ability to recruit, retain and educate qualified employees with special competence and experience. There is a risk that one or several key employees will leave the Group and it may prove difficult for Profoto to employ appropriate successors. The Company's ability to employ and retain employees is dependent on several factors, including competition in the labor market. If Profoto is unable to attract such key employees, this could adversely affect the Company's product development activities and its ability to achieve its business objectives, which could in turn have a material negative impact on its competitive position, earnings and future position within the light shaping industry. Thus, the failure to retain or recruit senior management and other key personnel could materially adversely affect the Company's earnings and financial position.

***Profoto is dependent on dealers for the sale and delivery of its products to customers***

Dealers are, and have historically been, the main sales and rental channel for Profoto's products. The dealers with which Profoto cooperates also add value for end users by functioning as a one-stop shop for all photo related items, such as cameras, flashes and accessories, as well as advisory services for end users. The Company has a large dealer network, which currently consists of 276 active dealers worldwide, with the top 30 dealers accounting for 53 percent of net sales in 2020. Accordingly, Profoto's business and future growth is dependent to a significant degree on its dealers, and Profoto could be negatively affected to the extent dealers are impacted by economic, legal or operational problems or limitations on their businesses.

The Company's cooperation with dealers is governed by certain standard template framework agreements, which normally run on consecutive one-year periods, unless terminated by either party giving notice at least three months prior to the expiration date of the initial term or the relevant consecutive one-year period. Thus, there is a risk that dealers decide to terminate their cooperation with Profoto, and that Profoto would not succeed in identifying equivalent replacements for such dealers.

Further, the Company's dealer network is diverse both in geographical terms and in terms of the size and nature of the dealers' businesses. This poses certain challenges for the Company in relation to sales strategy, delivery of products and marketing, but

also in relation to identifying new dealers as well as replacement of previous ones. There is a risk that measures implemented by Profoto in relation to its dealers are not appropriate for all geographical markets or all dealers due to, for example, differences in the dealers' customer base, financial situation and personnel.

If any of these risks relating to dealers were to materialize, this could have a material adverse effect on Profoto's sales, financial position and future growth.

***Profoto is dependent on maintaining its reputation and subject to the risk of negative publicity regarding the Profoto brand***

The Profoto brand is synonymous with being a premium product with a premium position in the relevant markets and the products have a corresponding price point, having loyal brand customers all over the world. As such, a key part in Profoto's success and its position as a leading premium supplier in light shaping, is Profoto's ability to maintain, promote and grow its brand image and reputation. Profoto's operations and prospects would be adversely affected if the Company fails to achieve this or if, whether or not justified, relevant stakeholders' perception of the Profoto brand is negatively affected, due to, for example negative statements from established photographers or that rental photographers cease to use the Company's products. Further, should Profoto fail to anticipate the technical development or fail to develop its business model and product portfolio based on customer needs, or if the Company's products come with deficiencies or otherwise do not meet relevant product requirements, it could have a material negative effect on Profoto's brand, reputation and relationships, which in the long run could materially adversely affect the Company's possibilities to maintain its premium price position, resulting in reduced profitability and revenues. Safety deficiencies are assessed to be a particular high risk in this regard, since any malfunctioning products may cause physical injuries on users, which could expose the Company to criticism and negative media statements as well as legal actions. There is a risk that such incidents occur in the future, which could result in damages on both property and persons and have a material adverse effect on the Profoto brand, including resulting in higher costs due to remediation, service and warranty costs, potential termination rights or claims for indemnification of losses under customer agreements as well as exposing the Company for product liability claims. As such, there is a risk that Profoto will lose business and revenues to its competitors, which presents a risk of materially adversely impacting Profoto's earnings and financial position.

Further, Profoto's success in maintaining, promoting and growing its brand image and reputation depends on its ability to adapt to a rapidly changing media environment, including reliance on social media and online marketing. Negative posts or comments about Profoto on social media and other websites could seriously damage Profoto's reputation and brand image which in turn could have a material adverse effect on Profoto's business and future prospects.

***Profoto's operations and products are dependent on its IT systems and technology, and disruptions or errors in critical systems could lead to malfunctioning products, theft or loss of product data***

Profoto relies on IT systems for its day-to-day operations through, for example, the Company's business intelligence system and other systems aimed at supporting Profoto's e-commerce activities and webpage, but also through the Company's outsourcing partners. Profoto has outsourced to third party suppliers both its IT business support system development and its maintenance support. Reliable IT systems and similar technology are important components in several of the Company's products, for example



as part of the Company's smartphone applications and radio systems. Consequently, it is essential that the Company and its IT providers can maintain and update existing IT systems and that Profoto and its partners have efficient firewalls and antivirus programs in order to reduce the risk of the loss of, for example, important product data or other critical or sensitive data due to malware or viruses. Any disruptions or faults in critical IT systems or technologies used by Profoto in its operations or products, whether caused by sabotage, viruses, operator errors, software errors, hardware errors or human error, could negatively impact the Company's day-to-day operations by resulting in unauthorized access or the loss or compromise of critical and sensitive data, increased costs, breach of regulatory requirements, dissatisfied customers and system unavailability, and consequently have an adverse effect on Profoto's operations and financial position.

Disruptions or faults in the Company's IT systems may also impact Profoto's handling of personal data. The Company's business is subject to data protective legislation, such as the General Data Protection Regulation (EU) 2016/679 within the EU (the "GDPR"). There is a risk that the measures taken by the Company in order to comply with the data protection legislation prove to be insufficient, whereby unauthorized disclosure or incorrect processing of personal data could occur. This could result in fines, claims or otherwise adversely affect customer perception. For example, violation of the GDPR could result in administrative fines corresponding to up to 20 MEUR or 4 percent of the Group's total worldwide annual turnover of the preceding financial year, whichever is higher. Consequently, non-compliance with data protection legislation could have a material adverse effect on Profoto's financial position and reputation.

***A deficient innovation capacity to develop new business models for Profoto could lead to a significant decrease of net sales in the long-term***

The Company operates in the premium segment for light shaping products and services within professional photography and faces significant competition from companies that offer competing products or services. The technology within professional photography has developed, and continues to develop, rapidly. The Company's future growth and success, and its ability to maintain its strong position within the premium segment, is significantly dependent on Profoto's ability to anticipate technological developments and develop its business model and product portfolio based on customer demand. There is a risk that the Company misjudges these developments due to, for example, lack of innovation capacity or misperceptions of market development, which could lead to the adoption of misplaced business models and incorrect development decisions that could ultimately prove to be costly. There is also a risk that Profoto will not have sufficient resources for research and development activities, which could result in the Company being unable to adapt its products or services to customers' requirements. If Profoto's investments in research and development activities are not commensurate with the development of the Company's market or customer expectations, demand for the Company's products or services could decline, which could result in reduced results for the Company.

Further, the Company's business and financial position are dependent on its ability to predict and drive customer demand, at present and in the future. For example, the Company believes there is some growth potential within the area of smartphone photography for professional photographers, but there is always a risk that this assessment proves to be inaccurate and that the demand for premium products for smartphone photography for professional photographers will not increase as expected. Profoto's

ability to anticipate changes in customer demand is significantly dependent on the Company's ability to gather and analyze considerable amounts of data and to predict and analyze overall market trends. If the Company fails in making such forecasts, this could materially adversely affect its ability to attract new customers and retain existing customers. Consequently, the materialization of any of the risks associated with deficient innovation capacity could have a material adverse effect on net sales in the long term and therefore also its results of operations and financial position.

***Profoto's growth strategy entails certain risks***

Profoto's future growth is assessed to be driven primarily by the markets for off-camera flashes and speedlight, focusing on lighting systems for still photographers. An important part of the Company's growth strategy, as well as its future market position, is its ability to continue to develop high-end products that meet and exceed customer demands, and expand into the market for continuous light (which includes light for videos, vlogging, broadcasting, film and cinema), as well as its ability to generate growth in the smartphone market for professional photographers. There is a risk that the Company's growth strategy does not materialize, for example due to the Company's inability to compete effectively in an environment of rapid technological development or the Company's misjudgment of ongoing and future market development, resulting in ineffective product development activities and, consequently, unsuccessful product launches.

Further, Profoto may in the future seek additional growth through acquisitions of other businesses, both so called platform acquisitions (i.e. acquisitions made in order to enter a new market segment) and add-on acquisitions (i.e. acquisitions made in order to strengthen the Company's current market position). However, the Company has not carried out any significant acquisitions in the past and there are considerable risks associated with acquiring other companies. Prior to such acquisitions, Profoto will need to conduct financial and legal due diligence of the potential target company. There can, however, be risks that are not identified by such due diligence and if these risks were to occur, it could result in additional costs or losses on investments. There is also a risk that, for example, warranties given by the seller do not cover a specific loss, that the warranty period expires before a loss is detected or that the seller, for some reason beyond Profoto's control, does not indemnify Profoto for a loss for which it is in fact responsible. Acquisitions could also result in challenges when integrating or separating businesses from existing operations. The actual effects of such risks associated with acquisitions, were they to materialize, are uncertain, but the Company may be forced to contribute additional capital to the acquired companies, become involved in costly legal proceedings or be unable to realize expected synergies, which may materially adversely affect Profoto's operating results and financial position. If the Company fails to implement its growth strategy, there is a risk that its competitors will be able to gain market shares and attract customers to the disadvantage of the Company, which could have a material adverse effect on the Company's future market position, sales figures and earnings capacity.

### Industry and market-related risks

***New technology and new solutions could replace flash photography and video filming could replace traditional photography, which could cause a drastic decline in demand for the Company's products or services***

The Company focuses on premium lighting systems for still photographers within the image and content creation market in segments such as, amongst others, light shaping tools and studio lights. The technology for light shaping has developed, and continues to develop, rapidly, for instance in the area of artificial intelligence ("AI"). For example, in 2020 Profoto launched the Smart-TTL, which is an auto exposure function based on AI which shortens the time for the smartphone user to get the desired creative effect in the image. Thus, there is a risk that new technologies, such as AI related technologies or computer generated systems which create light effects in the image after, rather than before, the picture is taken, in whole or in part, replace current solutions, such as flash photography, within light shaping in the future, which could lead to a decline in the market and decreased demand for the Company's products. There is also a risk that the market for traditional still photography will be replaced by video filming, which could result in the Company's products becoming outdated, a shrinking market and a loss of revenue for the Company.

The Company seeks to collaborate with other companies and aims to be at the forefront regarding its own technology development, in order to ensure that flash technology creates value in new forms of capturing devices and software also in the future. In this regard, the Company has entered into consultancy agreements of various importance to the Group's operations, such as e.g. in respect of R&D services. Further, the Company seeks to grow within the market for video filming, primarily through organic growth. Further, Profoto may in the future seek additional growth by acquisitions of other businesses. However, there is a risk that Profoto and its collaborators fail to maintain and ensure that the flash technology creates value in new forms of capturing devices and software in the future due to, for example, rapid technological development. There is also a risk that the Company fails to build its market share within video filming due to, among other things, an inability to achieve organic growth or unsuccessful acquisitions as a result of, for example, poor business decisions or lack of due diligence investigations. If demand for flash photography declines, and the Company does not succeed in finding corresponding sources of revenue in other market segments, this would have a material adverse effect on the Company's market position, earnings and future earnings capacity.

***The outbreak of Covid-19 has negatively impacted the global economy and may have a negative impact on Profoto's sales figures, financial position and earnings in the future***

In 2019, the outbreak of a novel coronavirus (Covid-19) was detected in China and has subsequently spread globally. The outbreak of Covid-19 has been classified as a pandemic by the World Health Organization and has, in addition to be a significant danger to people's lives and health, brought adverse effects on the economic development in Sweden and globally. Most countries have introduced extensive restrictions such as travel bans, travel restrictions, stringent requirements on social distancing and shutdowns, restrictions that have affected all markets where the Company operates. The situation improved slightly in the second half of 2020 when several countries relaxed their heavy restrictions, followed by increased spread of infection with the Covid-19 virus and renewed and tightened restrictions in the first months of 2021. Even though vaccinations have been initiated in, amongst others, Europe and the US, the situation is still uncertain due to,

among other things, the fear of contagious virus mutations and delays in the vaccine productions.

The outbreak of Covid-19 had a significant effect on the Company's earnings. In 2020, earnings decreased by 36.6 percent compared to 2019. Profoto was forced to introduce measures such as to partly grant leave to employees and to introduce saving programs in order to mitigate the negative effects of the pandemic. There is a risk that the outbreak of Covid-19 will continue to have a material adverse impact on Profoto's financial position and earnings in the future as a result of a limited need for and ability of photographers and image creators to pursue their work due to regulations on local, state and a global level, such as lock-downs and travel restrictions, or otherwise due to various factors that restrict photographers. This risk is particularly relevant for Profoto due to the fact that the photographic industry is highly dependent on travel, events and other venues where people meet physically in different settings and closings, and there is a risk that the current decline in traveling, events and other venues remain also after the pandemic, or that it will not bounce back to the levels before the pandemic. Such restrictions or consequences of the pandemic may also result in difficulties for the Company in carrying out negotiations with existing and potential dealers, distributors and suppliers.

Covid-19 could also impact the global capital markets, resulting in, following the planned listing on Nasdaq Stockholm, the price of Profoto's share could follow the general market trend irrespective of whether Profoto performs in line with or above market expectations. There is also a risk that the outbreak of Covid-19 could impact the Company's access to capital, which could constrain its investments in product development, an important aspect of the Company's growth strategy, as well as other areas.

Overall, the global outbreak of Covid-19 and its global impact on the markets in which Profoto operates has had and may continue to have several material negative consequences for Profoto. Covid-19 and the global and regional economic changes caused by the pandemic may also magnify certain of the other risks highlighted in this section.

***Profoto operates on a global market which exposes the Company to certain risks***

Profoto has subsidiaries in Sweden, Germany, the US, France, the UK, Japan and China, and even though Profoto is a Swedish company, only approximately 4.5 percent of its net sales during 2020 originated from the Swedish market. Hence, the Company operates and sells most of its products internationally and the business is to a high degree dependent on relatively free borders and free trade. The Company's international operations expose it to certain risks, such as the risk that Profoto's sales will be negatively impacted by changes in political situations, the emergence of trade conflicts, trade barriers and changes in customs and trading regulations to the disadvantage of Profoto and its partners and other counterparties. For example, the escalation of tariffs between the US, the Company's largest geographical market with 35.7 percent of sales in 2020, and China, where the Company has had a subsidiary since 2019, with around 10 percent of sales in 2020, has negatively affected the Company's profitability in those markets, and the situation remains uncertain. Further, the UK's withdrawal from the EU in the end of January 2021 has created uncertainty regarding the EU's future trade policy with the UK, which could negatively impact the Company's position in the UK market. In the event any of the risks associated with the Company's international activities were to materialize, this could have a material adverse effect on Profoto's financial position, earnings and future prospects.

Further, certain markets in which Profoto operates are subject to major political, economic and social uncertainty. Operating in such markets exposes Profoto to certain specific risks, such as the risk that the Company's business will be negatively impacted by politically motivated trade conflicts, changed customs and trading regulations, shutdowns, bans or restrictions on the use of social media, the introduction of import and export restrictions, or trade blockades. For example, there is a risk that the introduction of extensive bans on social media such as Instagram and Facebook in certain markets where the Company operates could negatively impact the Company due to declines in photography. There is also a risk that Profoto will experience difficulties in connection with the import or export of its products from certain markets due to politically motivated measures. If these risks were to materialize, they could have a material adverse effect on Profoto's financial position and future prospects.

***The Company operates in a competitive environment and risks being challenged by competitors with greater financial resources and competitors from low-wage countries, where the Company could fail to compete***

Profoto's operations are conducted in a competitive market, and the market is expected to continue to be competitive in the future. Competition is driven by, for example, brand reputation, functionality, a comprehensive product offering and innovation. The Company's future competitive opportunities are dependent on, among other things, its future product development, its successful roll-out of new products in the market and the preservation of its intellectual property rights, including a strong brand, and its ability to continue to distinguish its product offering. For example, Profoto has established an online-based educational programme, Profoto Academy, aiming to attract new customers through paid education with the purpose of teaching image creators the use of light to expand their knowledge and creativity to ultimately invest in Profoto products and continue to do so over time. Although currently only generating small revenue streams, Profoto Academy is a way for Profoto to differentiate itself from its competitors.

There is a risk that the Company fails to compete effectively, or otherwise faces increased competition, where competition from actors in so called low-wage countries is estimated to be a particular high risk for Profoto. Increased competition from competitors in low-wage countries could force the Company to lower prices which would result in a lower level of profitability for Profoto. It could also adversely affect the Company's brand reputation since the Company strives to operate within the premium segment and believes price to be the single most important communicator of the product's quality and value.

In addition, larger competitors that operate in an international market might have greater financial and operational resources than the Company, thus making it possible for them to invest greater resources into marketing and, ultimately, present more favorable products and services offerings to the customers.

If any of the risks associated with operating in a competitive environment were to materialize, this could cause the Company's existing and potential distributors, dealers and customers to purchase products from the Company's competitors instead, which could lead to a decline in the Company's market share, thus materially negatively affecting the Company's market position, sales figures and future earnings capacity.

**Legal risks and tax risks**

***Profoto and its competitive position are dependent on intellectual property rights worldwide***

The Company's operations and competitive position are dependent on intellectual property rights, in particular patents and trademarks. Historically, the Company has annually invested an amount corresponding to 11 percent, 9 percent and 13 percent of net sales in 2018, 2019 and 2020, respectively, in research and development and intends to continue to prioritize such investments in the future. A large part of the Company's technologies is patent protected and the patent families in its current product portfolio comprise core flash technology, accessories in light shaping and connectivity and light control in the Company's main markets of Sweden, Germany, the EU, the US, China and Japan. Further, the Company has registered trademarks and pending applications in several different jurisdictions, including protection of the word trademark "PROFOTO", the trademark "Profoto (device)" and the product trademarks "Profoto A1" and "Profoto C1".

There is a risk that the Company's protection of registered intellectual property rights, in particular patents and trademarks, proves to be insufficient or that its current applications are not granted. The Company believes that it has established sufficient internal processes in order to mitigate such risks, but there is a risk that the assessment proves to be incorrect or that the situation changes in the future. If the Company fails to protect and maintain its intellectual property rights or if it is accused of infringing third-parties' intellectual property rights, this could lead to extensive litigation, legal and financial liability for the Company and, as a consequence, financial losses for Profoto. It could also have a negative impact on the Company's trademark and reputation, which could impair the Company's competitive position and future prospects.

Further, there is always a risk that the Company's intellectual property rights are subject to infringements or unauthorized dissemination, intentionally or unintentionally, which could result in the Company being forced to spend the time and financial resources in order to defend its intellectual property rights and know-how. It is uncertain whether Profoto would be fully compensated for the negative effects of such infringements or unauthorized disseminations, even in the event of a positive outcome in an eventual dispute, and such infringements or disseminations could have a material negative impact on Profoto's earnings and competitive position.

Taken together, the Company's intellectual property rights are subject to a number of uncertainties and risks and in the event that such risks, in whole or in part, are materialized, it could have a material negative impact on Profoto's competitive position, financial position and future prospects.

***Profoto's business and success is dependent on compliance with, among other things, EU directives on producer responsibility and on obtaining and maintaining necessary certifications of the Company's products***

The Company's business is not dependent on any particular regulatory or governmental approvals or permits. The Group's business is however covered by several environmental related rules on so-called producer responsibility, such as Directive 2012/19/EU (the "WEEE Directive"), Directive 94/62/EC (the "Packaging Waste Directive") and Directive 2006/66/EC (the "Battery Directive"), as well as equivalent requirements in other jurisdictions. The underlying purpose with these rules is to achieve a more circular society and means that Profoto, on every market where the Group is selling its products, is obligated to observe applicable provisions for collection, reuse and recycling of waste. Further, Profoto's products must fulfil the requirements in several other environmental related provisions such as Regulation (EC) No

1907/2006 (the “REACH Regulation”) which, among other things, governs issues concerning registration, evaluation, authorization and restrictions of chemical substances, as well as Directive 2011/65/EU (the “RoHS 2-Directive”) which, among other things, requires substitution and restriction of hazardous substances in electrical and electronic equipment. There is a risk that Profoto fails to fulfil the aforementioned environmental related rules due to, for instance, inadequate internal controls or wrongful interpretations of each regulatory regime, which can result in negative consequences for Profoto, such as injunctions or fines. There is also a risk that Profoto’s production is affected negatively due to the substances used by Profoto in its products henceforth being subject to authorization procedure pursuant to, for instance, the REACH Regulation, which could result in Profoto either being forced to spend resources on an authorization procedure, which will not surely turn out in Profoto’s favor, or to identify a substitute for such substances which might not be equivalent.

Further, certain certifications of Profoto’s products are required in different jurisdictions and markets, relating to, among other things, safety requirements. The Company is obliged to rely on third-parties approved for these types of certifications to handle the Company’s product certification processes, where the Company uses, among other things, one partner in Germany and one partner in Taiwan. The Company’s partner in Germany typically handles the European, US and Japanese market while the Taiwanese partner typically handles the Asian market (excluding Japan). When the Company’s products have been tested and approved, declarations of conformity are published on Profoto’s website, illustrating that the products have been tested. There is, however, a risk that the necessary certifications for new products cannot be obtained without unreasonable cost or delay, or at all, which could result in adverse financial consequences for Profoto. There is also a risk that certifications already obtained could be withdrawn as a result of the Company failing to meet the terms and conditions for the certification, or due to for example formal investigations or follow-ups by the relevant authorities. Further, the fact that the Company is obliged to rely on third-parties for the certification process also entails certain risks (see also risk factor “*Profoto has adopted an asset-light business model and outsources all non-core business, which exposes the Company to certain risks*” above). For example, the Company has experienced incidents where confidential information relating to its products was disclosed prior to product launch, due to pictures being included in the certificate application which was made public once the application was granted.

In any of the above mentioned risks relating to compliance and product certifications were to materialize, it could have an adverse effect on Profoto’s business, result of operations and reputation.

***The Company may from time to time be involved in disputes, claims and other legal or administrative proceedings***

Profoto is subject to the risk of disputes, claims and other legal or administrative proceedings in various jurisdictions with third-parties such as, for example, the Company’s distributors, dealers, suppliers and customers through the Company’s online store, profoto.com, or the Company’s employees. There is also a risk that the Company will be involved in proceedings with supervisory authorities due to, for example, complaints from third-parties or routine measures. Disputes, claims or proceedings relating to intellectual property rights are assessed to be a particular high risk in the Company’s business, due to the Company’s strong activity within product development and the associated need of protecting innovations made.

As at the day of the Prospectus, the Company is not involved in any disputes, claims or proceedings and is not aware of any such disputes, claims or proceedings that could arise, but there is always a risk that Profoto will become involved in such processes in the future. However, Profoto has distributed so-called warning letters due to the Company considering that certain of Profoto’s competitors are infringing on Profoto’s intellectual property rights. If such claims were to be made against the Company, there is a risk that the process could be time-consuming, costly and there is also a risk that such processes lead to negative publicity for the Company and thus affect the Company negatively in several ways, both financially and by damaging the Company’s trademark and reputation. It is very difficult to estimate the expected magnitude of such risks’ negative impact, in the event that they would materialize. However, the magnitude of any financial losses would likely depend on, among other things, the extent to which any established legal liability and related costs, such as legal costs, would be covered by Profoto’s insurance cover while the magnitude of any damages on the Company’s trademark and reputation would likely depend on the nature of such disputes, claims or proceedings.

***Risks related to the interpretation of tax rules, in particular within transfer pricing***

Profoto has subsidiaries in the US, Europe, China and Japan and due to the Company’s global operations, the Company is subject to assessments by different local tax authorities.

There is a risk that Profoto’s understanding and interpretation of tax laws, tax treaties and other provisions is not correct. Further, there is a risk that tax authorities in the respective relevant jurisdiction make assessments and decisions that differ from Profoto’s and its tax advisers’ understanding and interpretation of the aforementioned laws, treaties and provisions, which could adversely affect Profoto’s tax expenses and effective tax rate. For example, understandings and interpretations relating to transfer pricing are assessed to be a particular high risk for Profoto, due to its global operations, and could result in unnecessary tax expenses and/or double payments.

Further, there are several indications that there is an increased political support for global tax coordination among jurisdictions, such as the Base Erosion and Profit Shifting (BEPS)-project, launched by the G20 countries and the Organisation for Economic Co-operation and Development, and the corresponding activities within the EU. Such activities could have a significant impact on the international taxation landscape in which Profoto operates, including rules and regulations within transfer pricing, and could thus have a material adverse effect on the Company’s tax situation and thus on the profit/loss for the year/period and Profoto’s financial position.

**Financial risks**

***The Company is exposed to currency risks, such as transaction exposure and translation exposure***

Profoto is headquartered in Stockholm, Sweden, but operates in a global market and has subsidiaries worldwide, including in the US, China and the UK, and is therefore exposed to exchange rate fluctuations. Thus, Profoto’s business is exposed to currency risks, meaning the risk for fluctuations in fair value or future cash flows as a result of exchange rate fluctuations. Currency risks mainly arise in connection with borrowing in foreign currency and from cash flows in foreign currency, so called transaction exposure, as well as in connection with translation of foreign subsidiaries income statements and balance sheets to the Group’s reporting currency (SEK), so called translation exposure.



Transaction exposure entails the risk that the profit/loss will be adversely affected by exchange rate fluctuations of the cash flows occurring in foreign currency. The Group operates in a global market and has subsidiaries worldwide. Profoto's outflows are mainly attributable to SEK, EUR and USD, while the Group's inflows are mainly attributable to EUR, USD, JPY, CNY and GBP. Consequently, the Group is affected by changes in these exchange rates.

Further, translation exposure entails the risk that the value of the Group's net investments in foreign currency will be adversely affected by exchange fluctuations. The Group consolidates the net investments in SEK on the balance sheet date.

In accordance with Profoto's finance policy, the above described currency risks are not managed by way of currency derivatives or similar instruments and any foreign exchange fluctuations could materially adversely affect Profoto's cash flows, financial condition and result of operations.

***Changes in the value of Profoto's capitalized development expenditure may adversely affect the profit/loss and financial position of Profoto***

As part of Profoto's asset light business model, intangible assets consisting of, inter alia, capitalized development expenditure from the Group's operations within product development is an important asset for Profoto. As of 31 December 2020, the Group's capitalized development expenditure amounted to approximately SEK 98m, which corresponds to approximately 15 percent of the Group's total assets.

Profoto is reviewing the carrying amounts of intangible assets, including capitalized development expenditure, at each balance date in order to determine whether there is any indication of impairment. If this is the case, the asset's recoverable amount is calculated to determine the value of any impairment loss. If the recoverable amount of a fixed asset is determined to be less than the carrying amount, the carrying amount of the asset is impaired to the recoverable amount. An impairment loss is recognized directly as an expense in the statement of comprehensive income, and thus has an immediate effect on Profoto's profit/loss. For instance, Profoto incurred costs for impairment of a development project related to the product lines C1 and C1+ during 2020, as a result of the products selling far short of initial expectations and are expected to remain on low volumes the following year.

There is a risk that the Company is forced to impair capitalized development expenditure in the future as a result of, for example, failed product launches, which would result in increased costs for Profoto and a decreased value of Profoto's assets, which in turn could materially adversely affect Profoto's profit/loss and financial position.

***Profoto is exposed to the risk that necessary financing is not available for Profoto, or is associated with substantially increased costs***

Refinancing risk refers to the risk that it is not possible to refinance a loan or any other financial obligation which falls due for payment, or the risk that refinancing must occur at unfavorable market times with unfavorable interest terms. Profoto's borrowing primarily consists of a credit facility of not more than SEK 250m with Svenska Handelsbanken AB (publ) as lender. It is likely that Profoto will try to refinance its existing borrowing in conjunction with the due date. However, there is a risk that such financing will not be obtained when and if deemed necessary, at all or on acceptable terms for Profoto, that the existing loan is terminated for immediate payment or otherwise, or that new loans can be obtained only at terms less favorable for Profoto.

Further, the Company's credit facility contains financial undertakings regarding certain company specific financial key figures,

so called financial covenants. If Profoto would come to breach such financial undertakings there is a risk that the outstanding amount under the credit facility, in whole or in part, falls due for immediate payment. Profoto fulfils all undertakings as of the day of this Prospectus but there is still a risk that these cannot be fulfilled in the future.

If Profoto fails to refinance existing borrowing in the future or can refinance existing borrowing only to considerably higher costs, or otherwise does not fulfil its financial undertakings in the Company's existing credit facility, whereby the loan might fall due for immediate payment, Profoto may be forced to obtain capital through alternative sources of finance, for instance through rights issues, or be forced to decrease its costs, for example important costs for product development or personnel expenses. Overall, Profoto's loan financing is subject to a number of risks and factors of uncertainty and in case these risks, in whole or in part, are realized it could have a significant negative impact on the Company's financial position and future prospects.

***Risks relating to the Offering and the Company's shares***

***An active, liquid and orderly trading market for Profoto's shares may not develop, the price of its shares may be volatile, and potential investors could lose a portion or all of their investment***

Prior to the Offering, there is no public market for Profoto's shares. There is a risk that an active and liquid market will not develop or, if developed, that it will be sustained after completion of the Offering. The Offering Price will not necessarily reflect the price at which investors in the market will be willing to buy and sell the shares following the Offering. Investors may, thus, not be able to resell share at or above the Offering Price.

***Sales of shares by existing shareholders could cause the share price to decline***

The market price of Profoto's shares could decline if there are substantial sales of the Company's shares, particularly sales by the Company's board of directors, executive management, and significant shareholders, or otherwise when a large number of shares are sold.

Certain of Profoto's direct and indirect shareholders have agreed, subject to certain exceptions, for a certain period of time after the Offering, not to sell their shares in the Company or enter into transactions with a similar effect without the prior written consent of the Managers. After the expiry of the relevant lock-up period, the shareholders subject to lock-up will be free to sell their shares in Profoto. If substantial amounts of the Company's shares then are offered for sale in the public market, or if there is a perception that such a sale might occur, it could cause the market price of the Company's shares to decline.

***Larger shareholders will continue to have substantial influence over Profoto after the Offering and could delay or prevent a change in control over the Company***

Immediately after completion of the Offering, the Principal Owner will own in aggregate approximately 59.0 percent of the shares in the Company based on that the Over-allotment option is exercised in full. However, shortly after the Offering, Profoto Invests intends to distribute the remaining shares in the Company to the shareholders of Profoto Invest, whereby certain major shareholders, including the Company's CEO Anders Hedebark (through company), will have a direct ownership in the Company. Thus, such larger shareholders are likely to continue to have a significant influence over the outcome of matters submitted to Profoto's shareholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of the

Company's assets. In addition, such larger shareholders could have significant influence over the Company's operations.

The interests of such larger shareholders may differ significantly from or compete with Profoto's interests or those of the other shareholders, and they could exercise influence over the Company in a manner that is not in the best interest of the other shareholders. For example, there could be a conflict between the interests of the larger shareholders on the one hand, and the interests of the Company or its other shareholders on the other hand with respect to distribution of dividends. Such conflicts could have a material adverse effect on the business, results of operations and financial position.

***Profoto's ability to pay dividends is dependent upon its future earnings, financial position, cash flows, net working capital requirements, capital expenditures and other factors***

Profoto aims to pay out at least 50 percent of its net profit, while also taking into account other factors such as financial position, cash flow and growth opportunities. The amount of any future dividends that the Company will pay, if any, will depend upon a number of factors, such as future profit/loss, financial condition, cash flows, net working capital requirements, capital expenditures and other factors. There is a risk that the Company may not have sufficient distributable funds and a majority of Profoto's shareholders also may not resolve to pay dividends, even if the conditions for such a dividend is at hand.

***Differences in currency exchange rates may materially adversely affect the value of shareholdings or dividends paid***

The Company's shares will be quoted in SEK only, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects on the value of their shareholding and their dividends, when converted into other currencies if SEK depreciates against the relevant currency.

***The commitments from Cornerstone Investors are not secured and may therefore not be met***

Lannebo Fonder, Svolder AB, Herenco Holding and Strand Kapitalförvaltning ("Cornerstone Investors") have undertaken to acquire in total 7,575,756 shares in the Offering, corresponding to approximately SEK 500m. Thus, the Cornerstone Investors will hold approximately 18.9 percent of the total number of shares and votes in the Company after the completion of the Offering. However, the Cornerstone Investors' commitments are not secured by any bank guarantee, blocked funds or pledge of collateral or

similar arrangements, for which reason there is a risk that the Cornerstone Investors' will not be able to, entirely or partly, meet their commitments. Moreover, the Cornerstone Investors' commitments are associated with certain conditions, such as achieving a certain distribution of the Company's shares in connection with the Offering as well as that the Offering is completed within a certain period of time. In the event that any of these conditions is not fulfilled, there is a risk that the Cornerstone Investors will not fulfill their commitments, which could have a negative impact on completion of the Offering.

# Invitation to acquire shares in Profoto

Profoto has, together with the Principal Owner, resolved to broaden and diversify the Company's shareholder base. Nasdaq Stockholm's listing committee has, on 10 June 2021, made the assessment that the Company fulfils the applicable listing requirements on Nasdaq Stockholm. Nasdaq Stockholm will approve the application for admission to trading in the Company's shares subject to that certain conditions are fulfilled, including that the distribution requirement in respect of the Company's shares is fulfilled at the latest on the date of the listing, and that the Company submits an application for admission to trading in the Company's shares on Nasdaq Stockholm. Trading in the Company's shares is expected to commence on 1 July 2021.

Pursuant to the terms and conditions set out in this Prospectus, investors are invited to acquire 14,259,382 shares in Profoto from the Principal Owner, corresponding to a total of 35.6 percent of the total number of outstanding shares in the Company.

The Offering Price has been set to SEK 66 per share by the Principal Owner in consultation with the Managers based on a number of factors, including discussion with certain institutional investors, a comparison with the market price of other listed peer companies, the current market situation, and estimates regarding the Company's business opportunities and future profitability.

The Offering consists of (a) an offer to the general public in Sweden and (b) an offer to institutional investors in Sweden and abroad.

Immediately following the completion of the Offering, the Principal Owner will distribute the remaining shares in the Company (i.e. the shares that are not sold in the Offering) to the shareholders of the Principal Owner.<sup>1</sup> Burken Invest AB and Nedergransta Förvaltning AB will then be the largest shareholders in the Company. To cover any over-allotment in connection with the Offering, Burken Invest AB and Nedergransta Förvaltning AB will grant the Managers an option to acquire a maximum of 2,138,907 additional shares at the price per share in the Offering, corresponding to no more than 15 percent of the shares in the Offering (the "Over-allotment Option"). The Over-allotment Option can be exercised, in full or in part, during a thirty-day period from the first day of trading in the Company's shares on Nasdaq Stockholm. If the Over-allotment Option is exercised in full, the Offering will comprise a total of 16,398,289 shares, corresponding to 41.0 percent of the total number of outstanding shares in the Company.

Cornerstone investors have, on the same terms and conditions as other investors, undertaken to acquire a total number of 7,575,756 shares in the Offering, corresponding to 46.2 percent of the shares in the Offering (provided that the Over-allotment Option is exercised in full) and 18.9 percent of the shares in the Company. Cornerstone investors will be given priority in the allotment of shares in the Offering and receive full allocation in accordance with their respective commitments. The commitments do not entitle any compensation.

The total value of the Offering amounts to approximately SEK 941m and to approximately SEK 1,082m if the Over-allotment Option is exercised in full.

Stockholm, Sweden 21 June 2021

**Profoto Holding AB (publ)**  
**Profoto Invest AB**

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<sup>1</sup>) For more information, see section "Share capital and ownership structure – Ownership structure".

# Background and reasons

Profoto was founded in 1968 by Conny Dufgran and Eckard Heine to offer premium lighting solutions to professional photographers and the products soon became the preferred choice for famous image creators around the world. The entrepreneurial spirit and drive have characterized the Company since its foundation and Profoto is today synonymous with premium products that makes it easier for photographers to create amazing images. With continuous focus on product innovation and operational efficiency the Company has built a leading position in a global niche of the growing image and content creation market.

Today Profoto offers a comprehensive system of high quality lighting products that provide reliability, durability, productivity and ease-of-use for professional photographers. The Company operates a global go to market strategy with sales in more than 60 countries through a large network of 276 active dealers around the world and its own online store, profoto.com. The Company has established an attractive and efficient operating model with focus on core operations to drive profitable growth and expand the addressable market. Product development is in the DNA of Profoto and the Company has fortified its position as one of the leaders in technology by successfully launching new product innovations adapting to new applications and customer needs. Over the years, new customer groups have been targeted with new solutions. From working only with studio photographers, Profoto today has large customer groups such as on location photographers, e.g. wedding photographers, press photographers and nature photographers etc. Continuous investments in innovation, a global sales platform and an increased focus on operational efficiency have paved the way for a long history of organic growth combined with increased profitability. Between 2001 and 2019 net sales grew from SEK 89.3m to SEK 832.8m, corresponding to a CAGR of 13.2 percent. Over the same period, EBIT margin increased significantly from low double-digit margins to 26.7 percent EBIT margin in 2019. As a result of focus on core operations, the Company further benefits from an asset-light business model and a high degree of flexibility and in 2019 adjusted ROCE reached 55 percent.

Until 2016, Profoto was principally owned by the co-founder Conny Dufgran and the CEO Anders Hedebark. At that time, Conny Dufgran was 83 years old and sought to initiate a process to handle the succession of his ownership in Profoto. In 2017, Hans Eckerström, with a background from the private equity firm Nordic Capital, assumed the role as Chairman of the Board of Profoto Invest and also became a shareholder, and thereafter became Chairman of the Board of Profoto. Under Hans Eckerström's leadership, a process to prepare the Company for a listing on Nasdaq Stockholm was initiated. The board of directors of Profoto believes it is now a suitable time to strengthen Profoto's profile through a listing of the Company's shares on Nasdaq Stockholm while also facilitating a transition of Conny Dufgran's (today 88 years old) ownership.

The board of directors of Profoto believes that the Offering and listing of the Company's shares is a logical and important step in Profoto's development. The intention with the Offering and listing is to broaden the Company's shareholder base and give Profoto access to the Swedish and international capital markets, which is considered to promote the Company's continued growth and development through increased awareness of Profoto and its operations. The Offering also allows the Principal Owner to sell a portion of its current shareholding and to create a liquid market for the shares henceforth. Following the IPO, Anders Hedebark will remain as CEO as well as a large and committed shareholder.

The Offering only comprises existing shares. Profoto will not receive any proceeds from the sale of existing shares.

*In other respects, reference should be made to the full particulars of this Prospectus, which has been prepared by the board of directors of Profoto Holding AB in connection with the listing of the Company's shares on Nasdaq Stockholm and the Offering made in connection with the listing.*

*The board of directors of Profoto Holding AB is responsible for the contents of this Prospectus and to the best knowledge of the board of directors, the information contained in the Prospectus corresponds to the facts and no information that could affect its meaning has been omitted.*

Stockholm, Sweden 21 June 2021

**Profoto Holding AB (publ)**  
**The board of directors**

*The board of directors of Profoto Holding AB alone is responsible for the content of this Prospectus. However, Profoto Invest AB confirms its commitment to the terms and conditions of the Offering in accordance with what is set out in the section "Terms and Conditions".*

**Profoto Invest AB**



# Terms and conditions

## The Offering

The Offering comprises 14,259,382 existing shares in Profoto offered by the Principal Owner. The Offering is divided into two parts:

- Offer to the general public in Sweden.<sup>1</sup>
- Offer to institutional investors in Sweden and abroad.<sup>2</sup>

The ISIN code for the Company's shares is SE0015962147.

The outcome of the Offering is expected to be announced through a press release, which will be available on the Company's website [www.profoto.com](http://www.profoto.com), on or about 1 July 2021.

## Over-allotment Option

Burken Invest AB and Nedergransta Förvaltning AB have provided the Managers with an over-allotment option (the "Over-allotment Option") entitling the Managers to, not later than 30 days from the first day of trading in the Company's shares on Nasdaq Stockholm, request that a maximum of 2,138,907 additional existing shares are to be acquired from Burken Invest AB and Nedergransta Förvaltning AB, corresponding to a maximum of 15 percent of the number of shares in the Offering, at a price corresponding to the Offering Price. The Over-allotment Option may only be exercised in order to cover any over-allotment in the Offering or short positions.

## Distribution of shares

The distribution of shares between the two parts of the Offering will be based on demand. Distribution will be determined by the board of the Company and the Principal Owner in consultation with Carnegie.

## Offering price

The Offering Price has been set to SEK 66 per share by the Principal Owner in consultation with the Managers based on a number of factors, including discussion with certain institutional investors, a comparison with the market price of other listed peer companies, the current market situation, and estimates regarding the Company's business opportunities and future profitability. No commission will be payable.

## Application

Applications from the general public for the acquisition of shares must be made between 22 June 2021 and 30 June 2021, 15:00 (CET) (the "Retail Application Period") and pertain to a minimum of 100 shares and a maximum of 15,400 shares, in even lots of 50 shares. Only one application per investor may be made. If more than one application is submitted, the Principal Owner and Carnegie reserve the right to consider only the first application received. The application is binding.

From 3 January 2018, all legal entities need a global identification code or Legal Entity Identifier (LEI) in order to perform a securities transaction. To be entitled to participate in the Offering and be allotted shares, a legal entity must hold and state their LEI number. Registration for a LEI code must take place in ample time prior to application since this code must be stated on the application. More information about LEI requirements is available on, *inter alia*, the Swedish Financial Supervisory Authority's website ([www.fi.se](http://www.fi.se)).

A National ID or National Client Identifier ("NID number") is a global identification code for private individuals. MiFID II prescribes that, commencing 3 January 2018, all natural persons must have a NID number and that this number must be stated in order to carry out a securities transaction. If such number is not stated, Carnegie may be prohibited from carrying out the transaction on behalf of the natural person in question. If you have only Swedish citizenship, your NID number comprises the designation "SE" followed by your personal ID number. If you have several citizenships or a citizenship other than Swedish, your NID number may comprise another type of number. For more information about how NID numbers are obtained, contact your bank branch.

The Company's board of directors, in consultation with Carnegie, reserves the right to extend the Retail Application Period. Notification of such an extension will be announced in a press release prior to the end of the Retail Application Period. Employees of Profoto who wish to acquire shares shall follow special instructions from the Company. Applications can be submitted to Carnegie or Avanza. The Prospectus is available on the Company's website ([www.profoto.com](http://www.profoto.com)) and Carnegie's website ([www.carnegie.se](http://www.carnegie.se)).

## Applications via Carnegie

Applicants applying to acquire shares through Carnegie must have a securities depository account or investment savings account with Carnegie.

For customers with an investment savings account with Carnegie, Carnegie will, if the application results in allotment, acquire the corresponding number of shares in the Offering for further sale to the customer at the price specified in the Offering. Applicants may submit their applications by contacting their advisor at Carnegie. If the applicant does not have an advisor, the applicant may contact Carnegie Private Banking.

## Applications via Avanza

Persons applying to acquire shares through Avanza must hold a securities depository account or an investment savings account at Avanza. Persons who do not hold an account at Avanza must open such account prior to submission of the application form. Opening a securities depository account or an investment savings account at Avanza is free of charge and takes approximately three minutes.

Customers with Avanza can apply to acquire shares via Avanza's Internet service. Applications via Avanza can be submitted from 22 June 2021 up to and including 15:00 (CET) on 30 June 2021. In order not to lose their right to any allotment, Avanza depository account customers must have sufficient funds available in their depository account or investment savings account during the period from the last date of application up until the settlement date, which is estimated to be the period from 15:00 (CET) on 30 June 2021 until the settlement date, which is expected to be 5 July 2021. Only one application per investor may be made. Full details of the application procedure via Avanza are available on [www.avanza.se](http://www.avanza.se).

1) The term "general public" refers to private individuals and legal entities in Sweden applying to subscribe for a maximum of 15,400 shares.

2) The term "institutional investors" refers to private individuals and legal entities applying to subscribe for more than 15,400 shares.

### **Offering to institutional investors**

The application period for the acquisition of shares by institutional investors in Sweden and abroad is between 22 June and 30 June 2021 (the "Institutional Application Period"). The Company's board and the Principal Owner, in consultation with Carnegie, reserve the right to shorten or extend the Institutional Application Period for the Offering to institutional investors. In the event that the Institutional Application Period is shortened or extended, the Company will announce the change through a press release. Expressions of interest from institutional investors in Sweden and abroad are to be submitted to the Managers according to special instructions.

### **Allotment**

Decisions concerning the allotment of shares will be made by the Company and the Principal Owner in consultation with Carnegie, whereby the objective will be to achieve a strong institutional ownership base and a wide distribution of shares among the public to enable regular and liquid trading of the Company's shares on Nasdaq Stockholm. Allotment is not dependent on when during the relevant application period the application was submitted.

In the event of oversubscription, allotment may be withheld or scaled back to a lower number of shares than that stated in the application, in which case allotment may be carried out entirely or partly through random selection.

In addition, employees and certain related parties in the Company may be considered separately when allocating. Preference for allotment for employees of the Company will relate to shares with a value of up to SEK 30,000 per employee. Applications from certain customers of Carnegie and Avanza may be given special consideration. Moreover, employees and certain related parties of the Company as well as customers of Carnegie may be given special consideration. Allotment may also take place to employees of the Managers, without any priority. In such cases, allotment will take place in accordance with the rules of the Swedish Securities Markets Association and the Swedish Financial Supervisory Authority's regulations. However, the Cornerstone Investors are guaranteed full allocation in accordance with their respective commitments.

### **Information regarding allotment and payment**

#### **Offering to the public in Sweden**

Allotment is expected to take place on or about 1 July 2021. As soon as possible thereafter, contract notes will be sent to those who have been allotted shares in the Offering. Those who have not been allotted shares will not be notified.

#### **Applications received by Carnegie**

Those who applied via Carnegie can receive information on allotment through their advisor or customer manager from 9:00 (CET) on 1 July 2021. Funds for payment are to be available in the stated securities depository account or investment savings account on 1 July 2021.

#### **Applications received by Avanza**

Those who applied via Avanza's Internet service will receive information on allotment by the allotted number of shares being booked against payment of funds in the specified account, which is expected to take place on or about 9:00 (CET) on 5 July 2021.

For Avanza customers, funds for allotted shares will be drawn not later than the settlement date of 5 July 2021. Note that funds for the payment of allotted shares are to be available from the last date of application up until the settlement date, which is estimated

to be the period 30 June 2021, 15:00 (CET) up to and including 5 July 2021.

### **Offering to institutional investors**

Institutional investors are expected to receive information regarding allotment according to a special procedure on or about 1 July 2021, after which contract notes will be sent. Full payment for allotted shares must be made in accordance with the contract note and against the delivery of shares not later than 5 July 2021. If full payment is not made within the prescribed time, the allotted shares may be transferred to another party. If the selling price for such a sale were to be less than the Offering Price, the individual who was originally allotted these shares may have to pay the difference. Furthermore, Cornerstone Investors who have undertaken to acquire shares are guaranteed full allocation in accordance with their respective undertakings.

### **Registration and recognition of allotted and paid shares**

Registration of allotted and paid shares with Euroclear Sweden, for both institutional investors and the public, is expected to take place on or about 5 July 2021, after which Euroclear Sweden will distribute a notice stating the number of shares in the Company that have been registered in the recipient's securities account. Shareholders whose holdings are nominee-registered will be notified in accordance with the procedures of the individual nominee.

### **Listing on Nasdaq Stockholm**

On 10 June 2021, Nasdaq Stockholm's listing committee has assessed that the Company fulfils Nasdaq Stockholm's listing requirement, subject to customary conditions, including fulfilment of the distribution requirement not later than the listing date and that the Company applies for its shares to start trading on Nasdaq Stockholm. It is expected that trading in the Company's shares on Nasdaq Stockholm will commence on 1 July 2021. This means that trading will commence before the shares have been transferred to the securities accounts, service accounts, securities depository accounts or investment savings accounts of the investors who have purchased the securities (the "Acquirers") and, in certain cases, before a contract note has been received. This also means that the trading on Nasdaq Stockholm will commence before the terms and conditions for completion of the Offering have been met. Trading that occurs in the Company's shares before the terms and conditions for completion of the Offering have been met, that is, up to and including 5 July 2021, will thus be conditional on the completion of the Offering. If the Offering is not completed, any trading in the Company's shares that occurs before the Offering becomes unconditional will be rescinded. See also section "Terms and conditions – Terms and conditions for completion of the Offering".

The ticker for the Company's shares on Nasdaq Stockholm will be PRFO.

### **Important information regarding the potential sale of allotted shares**

Information regarding allotment is expected to be provided around 1 July 2021. As soon as payment for the allotted shares has been processed by Carnegie, paid shares will be transferred to the securities depository account, investment savings account or securities account specified by the Acquirer. Due to the time required for transferring payment and transferring paid shares to such Acquirers, the Acquirers will be unable to access said shares in the specified securities depository account, investment savings account or specified account until about 5 July 2021. Trading in the Company's shares on Nasdaq Stockholm is expected to com-

mence on 1 July 2021. Given that the shares will not be available in the Acquirer's account or securities depository account until about 5 July 2021 at the earliest, the Acquirer may not be able to sell these shares from the first day of trading on Nasdaq Stockholm. Instead, they may only be able to sell the shares once they are available in the securities account, investment savings account or securities depository account. Investors will be able to obtain information on allotment from 1 July 2021. See also section "Terms and conditions – Information regarding allotment and payment".

### Stabilization

In connection with the Offering, Carnegie may, to the extent permitted in accordance with Swedish law, carry out transactions intended to stabilize, maintain or in other ways support the market price of the Company's shares for up to 30 days from the commencement of trading in the Company's shares on Nasdaq Stockholm. For more information, see section "Legal considerations and supplementary information – Stabilization".

### Announcement of the outcome of the Offering

The final outcome of the Offering is expected to be announced through a press release that will be available on the Company's website ([www.profoto.com](http://www.profoto.com)) on or about 1 July 2021.

### Right to dividends

The shares offered carry a right to dividends for the first time on the record date for dividends occurring immediately after completion of the Offering. Payment will be administered by Euroclear Sweden or, for nominee-registered shareholdings, in accordance with the procedures of the individual nominee. Entitlement to receive a dividend is limited to shareholders registered in the shareholder register maintained by Euroclear Sweden on the record date determined by the general meeting. For more information, see section "Share capital and ownership structure – Certain rights associated with the shares". For information regarding Swedish preliminary tax, see section "Tax considerations in Sweden".

### Terms and conditions for completion of the Offering

The Offering is conditional on the Company, the Principal Owner and the Managers signing a placing agreement (the "Placing Agreement"), which is expected to take place on or about 30 June 2021. The Offering is conditional on Carnegie believing there to be sufficient interest in the Offering to enable trading in the share, the Placing Agreement being signed, certain terms and conditions in the Placing Agreement being fulfilled and the Placing Agreement not being terminated. The Placing Agreement stipulates that the Managers undertaking to serve as an intermediary for buyers in the acquisition of shares in the Offering is conditional on, *inter alia*, the Company's representations and warranties being correct and no events occurring that have such a material negative impact on the Company that it would be inappropriate to carry out the Offering. If any material negative event occurs, if the guarantees that the Company has issued to the Managers should fall short or if any of the other conditions stipulated by the Placing Agreement are not fulfilled, Carnegie is entitled to terminate the Placing Agreement up to and including the settlement date of 5 July 2021. If the above conditions are not fulfilled and if Carnegie terminates the Placing Agreement, the Offering may be terminated. In such cases, neither delivery nor payment will be carried out under the Offering. Under the Placing Agreement, the Company will undertake to indemnify the Managers against certain claims under certain conditions. For more information regarding the condi-

tions governing the completion of the Offering and the Placing Agreement, see section "Legal considerations and supplementary information – Placing Agreement".

### Other information

Although being Managers in connection with the Offering, this does not mean that Carnegie and Handelsbanken Capital Markets consider applicants for the Offering to be customers of the bank for the investment. For the investment, an Acquirer is considered a customer only if the bank has provided advisory services about the investment to the Acquirer or has otherwise contacted the Acquirer about the investment. Since the Managers do not consider the Acquirer to be a customer for the investment, the investment will not be subject to the rules on investor protection stipulated in the Swedish Securities Market Act (2007:528). This means, *inter alia*, that neither customer categorization nor a suitability assessment will be applied to the investment. Accordingly, the Acquirers themselves are responsible for ensuring that they have sufficient experience and knowledge to understand the risks associated with the investment.

### Information about the processing of personal data

#### Carnegie

Personal data that is submitted to Carnegie, for example contact information and personal identification number, or which is otherwise registered in connection with the preparation or administration of the Offering, is processed by Carnegie, as controller of the personal data, for the administration and execution of the assignment. Processing of personal data also takes place to enable Carnegie to comply with its statutory duties.

Personal data may for a defined purpose, in observance of bank secrecy regulations, occasionally be disclosed to other companies within the Carnegie group or to undertakings which co-operate with Carnegie, within and outside the EU/EEA in accordance with EU's approved and appropriate protective measures. In certain cases Carnegie is also under a statutory duty to provide information, for example, to the Swedish Financial Supervisory Authority and Swedish Tax Agency.

Similarly to the Swedish Securities Market Act (Sw. *lagen (2007:528) om värdepappersmarknaden*), the Swedish Banking and Financing Business Act (Sw. *lagen (2004:297) om bank- och finansieringsrörelse*) contains confidentiality provisions according to which all of Carnegie's employees are bound by a duty of confidentiality with regard to clients of Carnegie and other parties to whom services are provided. The duty of confidentiality also applies between and within the various companies in the Carnegie group.

Information regarding what personal data is processed by Carnegie, deletion of personal data, limitation on the processing of personal data, data portability or the rectification of personal data can be requested from Carnegie's data protection officer. It is also possible to contact the data protection officer to obtain further information about how Carnegie processes personal data. If the investor wishes to make a complaint regarding Carnegie's processing of personal data, the investor is entitled to turn to the Swedish Authority for Privacy Protection in its capacity as supervisory authority.

Personal data shall be deleted if it is no longer needed for the purposes for which it was originally collected or otherwise processed, provided that Carnegie has no legal obligation to preserve the personal data. The normal storage time for personal data is 10 years. Email address to Carnegie's data protection officer: [dpo@carnegie.se](mailto:dpo@carnegie.se).

### **Avanza**

Avanza processes its customers' personal data in accordance with current personal data legislations. Personal data submitted to Avanza will be processed in data systems to the extent required to provide services and manage customer arrangements. Personal data obtained from sources other than the applicant may also be processed. The personal data may also be processed in the data systems of companies or organizations with whom Avanza cooperates. More information can be found on Avanza's website ([www.avanza.se](http://www.avanza.se)).

### **Information to distributors**

In consideration of the product governance requirements in: (a) EU Directive 2014/65/EU on markets in financial instruments ("MiFID II"), (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, and (c) Chapter 5 of the Swedish Financial Supervisory Authority's regulations regarding investment services and activities (FFFS 2017:2) (jointly referred to below as "MiFID II's product governance requirements"), and with no liability to pay damages for claims that may rest with a "manufacturer" (in accordance with MiFID II's product governance requirements) that may otherwise be relevant, Profoto shares have been subject to a product approval process whereby the target market for Profoto shares comprises (i) retail clients in Sweden, and (ii) investors who meet the requirements for non-retail clients

and equivalent counterparties in Sweden and each member state of the EEA, each in accordance with MiFID II ("the target market"). Notwithstanding the assessment of the target market, distributors are to note the following: the value of the Profoto shares may decline and it is not certain that investors will recover all or portions of the amount invested; Profoto shares offer no guaranteed income and no protection of capital, and an investment in Profoto shares is suitable only for investors who do not require a guaranteed income or protection of capital, who (either themselves or together with an appropriate financial advisor or other type of advisor) are capable of evaluating the benefits and risks of such an investment and who have sufficient funds with which to sustain such losses as may arise from the investment. The assessment of the target market does not impact the requirements in the contractual, statutory, regulatory or sales restrictions in relation to the Offering.

The assessment of the target market is not to be considered to be: (a) an assessment of suitability and appropriateness under MiFID II, or (b) a recommendation to any investors or group of investors to invest in, procure or take any other action regarding shares in Profoto.

Each distributor is responsible performing their own assessment of the target market regarding shares in Profoto and for deciding on suitable channels of distribution.



# Industry and market overview

This Prospectus contains statistics and other data on the Company's industry that have been derived from third party sources, including a market study that the Company commissioned from Ernst & Young AB ("EY-Parthenon"), conducted primarily during the period 8 March to 27 April 2021 (the "Market Study"). The Market Study will be made available on the Company's webpage in connection with the publication of the Prospectus. Information derived from the Market Study may not reflect events after its completion date. The industry and market data obtained from third party sources in the Market Study has been specifically commissioned by the Company. Information sourced as the Market Study has been developed through a multi-faceted process of triangulation of available published market research and market analyses (for example, secondary research sources, official statistics (for example national statistical databases), interviews (approximately 40 performed), information on competitor websites as well as Company business intelligence and Company/management estimates, financial information and market knowledge. Furthermore, the Market Study is developed by market analysts and not market experts and the Market Study should be considered as an estimate in a complex market at the time of the preparation of the Market Study. The Covid-19 analysis in the Market Study is based primarily on interviews in the market conducted 8 March to 27 April 2021, and as the Covid-19 crisis is ongoing, its full development cannot be predicted and conclusions in the Market Study relating thereto could thus be subject to change. Where information sourced from third parties has been presented, the source of such information has been identified. Market statistics and industry data and statistics are inherently unpredictable and subject to uncertainty and not necessarily reflective of actual market conditions. Market statistics and industry data that have been derived from third party sources have not been independently verified by the Company or the Managers. EY-Parthenon has performed the Market Study exclusively as an advisor to the Company and accept no responsibility or liability to any person regarding the Market Study or other industry and market data that has come from third party sources. Reliance upon any information where the Market Study or other third party sources is quoted as the source is at your own risk. Information sourced from third parties has been accurately reproduced, and, as far as the Company is aware and is able to ascertain from other information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

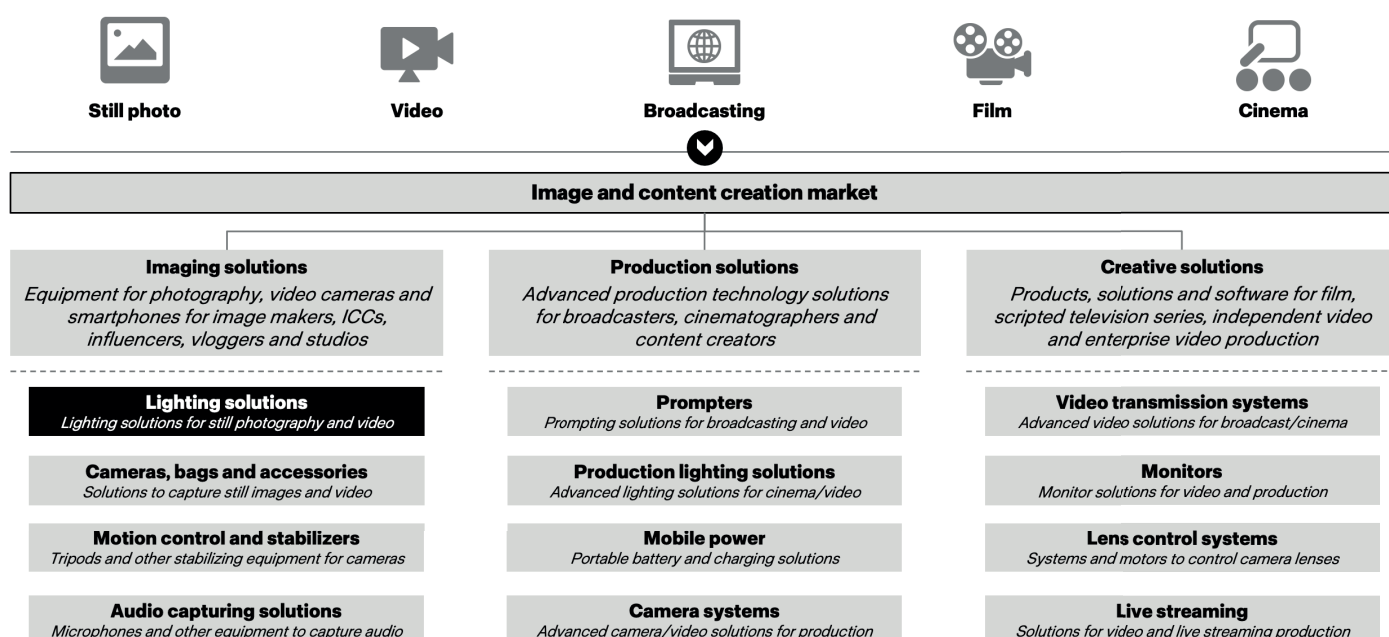
## Introduction to the image and content creation market

Profoto is active in the fast changing image and content creation market and is a leading brand within lighting solutions for professional still photography. The image and content creation market can be segmented into three main categories: i) imaging solutions ii) production solutions and iii) creative solutions. Imaging solutions include equipment for still, video and smartphone photography to a wide variety of end users. Production solutions include advanced production technology solutions for broadcast-

ers, cinematographers and content creators. Creative solutions cover products, solutions and software for film, scripted television series, independent video and enterprise video production. The lighting solutions market is a key component of imaging solutions, targeting both still photography and video. In addition to lighting solutions, the imaging solutions segment encompasses cameras, bags and accessories, tripods and other stabilizing equipment and audio capturing solutions.

## The image and content creation market











Primary content types



■ Key segment assessed in the Market Study.

Source: the Market Study.

## Macro trends and their impact on the image and content creation market

Macro trend	Description	Impact on image and content creation market
<b>Economic growth</b> 	<ul style="list-style-type: none"> <li>Favorable GDP outlook post-COVID-19 and a continued rise of the middle class in China with higher disposable incomes, expected to drive increased spend on travel and events such as weddings, as well as on camera equipment</li> </ul>	 <p>Long-term</p> <p>"There is an emerging middle class that is increasingly demanding professional photography services" <i>Lighting distributor</i></p>
<b>Increasing demand for digital content</b> 	<ul style="list-style-type: none"> <li>Increasing digital consumption and content creation, hours of YouTube videos uploaded per minute grew from 35 to 500 2010-2019, and number of still images captured per year increased from 380bn to 1,200 bn 2010-2020</li> </ul>	 <p>Long-term</p> <p>"Professional photographers are turning into content creators who do both still picture and video production" <i>Photography equipment retailer</i></p>
<b>Increased adoption of smartphones</b> 	<ul style="list-style-type: none"> <li>Number of sold smartphones, which has been increasing over recent years, is expected to grow by 4% p.a. between 2020 and 2025, which may drive an increase in image and content creation amongst both amateurs and professionals</li> </ul>	 <p>Mid-term</p> <p>"Smartphone use for photography has increased. Today phones have up to 4-5 lens cameras." <i>Photography equipment retailer</i></p>
<b>Growth of e-commerce</b> 	<ul style="list-style-type: none"> <li>E-commerce share of total retail sales is increasing, with global e-commerce sales forecast to grow 11% p.a. through 2025, in turn driving demand for professional product photography and content creation</li> </ul>	 <p>Long-term</p> <p>"With COVID-19 there is an increased demand of catalogue shooting for ecommerce use" <i>Photography equipment distributor</i></p>
<b>Changing travel patterns</b> 	<ul style="list-style-type: none"> <li>International leisure travel grew by 5% p.a. 2015-2019, and is expected to recover from the COVID-19 dip by 2023 and to continue growing throughout 2025, enabling international work opportunities for professional photographers</li> </ul>	 <p>Mid-term</p> <p>"Currently it is impossible to travel, and the industry is dependent on social gatherings" <i>Former executive at lighting OEM</i></p>

Source: Market participant interviews, the Market Study.

### Key trends affecting the image and content creation market

The image and content creation market has been growing in recent years, fueled by favorable macroeconomic trends such as GDP growth and higher disposable incomes, and social and digitalization trends such as changing travel patterns, increasing demand for digital content, increased adoption of smartphones, and growth of e-commerce. However, Covid-19 related restrictions resulted in limitations for on-location photography work, thus affecting the overall image and content creation market in 2020 and 2021.

### Lighting solutions market

#### Overview

Lighting solutions include various lights and flashes, shaping tools, accessories and software aimed at creating and shaping light, which provide the photographer with opportunities to enhance the quality of, and differentiate, its creative work. One flash category is off-camera flashes ("OCF"), which can range from battery-operated portable monolights to AC<sup>1</sup>-operated flashes with the flash head separated from the power electronics unit. On-camera flashes are on the other hand camera mounted flashes, often referred to as speedlight. Another lighting solution category is continuous light, sometimes referred to as video light, including solutions which emit light for an extended period, in comparison to a flash which emits light when a photo is taken. Shaping tools

and accessories include products such as umbrellas, reflectors, collapsible reflectors and air remotes, i.e. camera-mounted radio units for image synchronization and control of the light source(s). These connect the camera to the flashes so that the photographer can trigger and control the light on his/her flash(s) directly from the remote control on the camera. The lighting products together with remote controls and mobile applications form a system where software solutions connect the products to enhance customer experience.

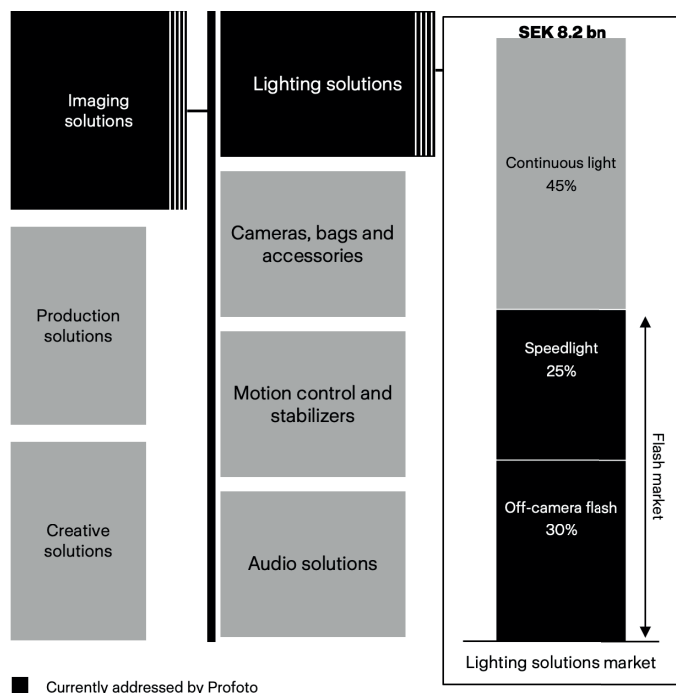
Photographers and content creators use a wide range of products and services for its image creation, and lighting is often a key component that is estimated to constitute around 25 percent of the average annual spend on camera equipment, which is estimated to amount to SEK 30k per end-user in general. However, spend on lighting solutions varies significantly by type of end-user, where the spend is higher among photographers with longer experience as well as among photographers who to a greater extent earn their living through photography, where 30 percent of end-users with more than 10 years of experience spend at least SEK 50k per year on camera equipment<sup>2</sup>. It is estimated that high-end image creators, such as large in-house fashion studios, may spend in excess of SEK 250k annually on lighting solutions and high-end photographers annual spending on lighting solutions is estimated to at least SEK 20k per year<sup>3</sup>.

1) Alternating current.

2) End-user web survey conducted by EY-Parthenon.

3) Market participant interviews conducted by EY-Parthenon.

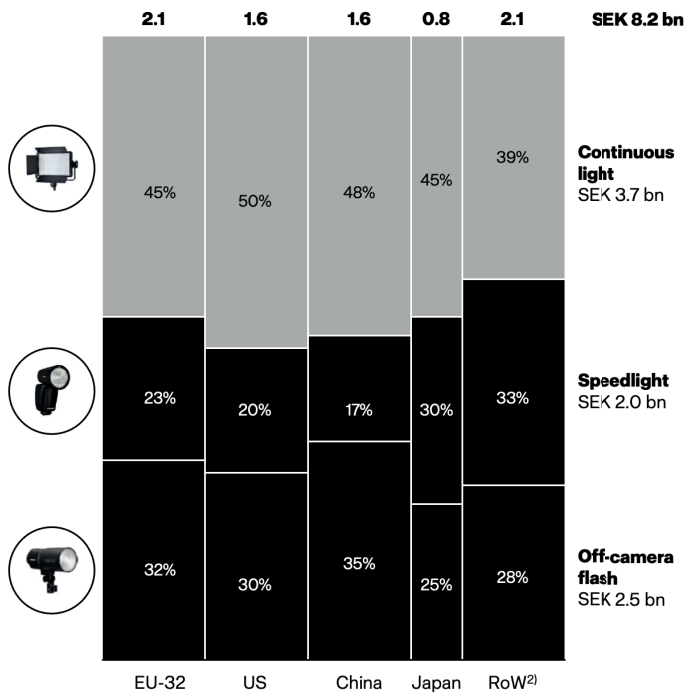
## Market size and segmentation<sup>1</sup>



Source: Market participant interviews, the Market Study.

The total lighting solutions market is estimated to be worth SEK 8.2 billion in 2019, divided into the following segments: i) off-camera flash (OCF) ii) speedlight and iii) continuous light. Continuous light constitutes the largest share of the total market with around 45 percent of the market, followed by the OCF segment with 30 percent and the speedlight segment with 25 percent. However, respective market shares for each of the segments vary between different countries. The EU-32 markets are characterized by premium camera and lighting manufacturers and end-customers with high purchasing power demanding high-end and innovative products such as battery powered OCF. The US has highest demand for continuous lighting products, with a strong influence from, *inter alia*, large-scale events. The continuous light segment also plays an important role in China due to the interconnection between social media and e-commerce, driven by players such as Taobao Alibaba, WeChat and Tiktok. The Japanese lighting market is influenced by its local brands which are the world's largest camera manufacturers (e.g. Canon, Nikon, Sony), driving demand for traditional speedlights. With its current lighting solutions offering, Profoto primarily addresses the OCF segment and the speedlight segment. The market split per segment and across geographies are illustrated in the charts above.

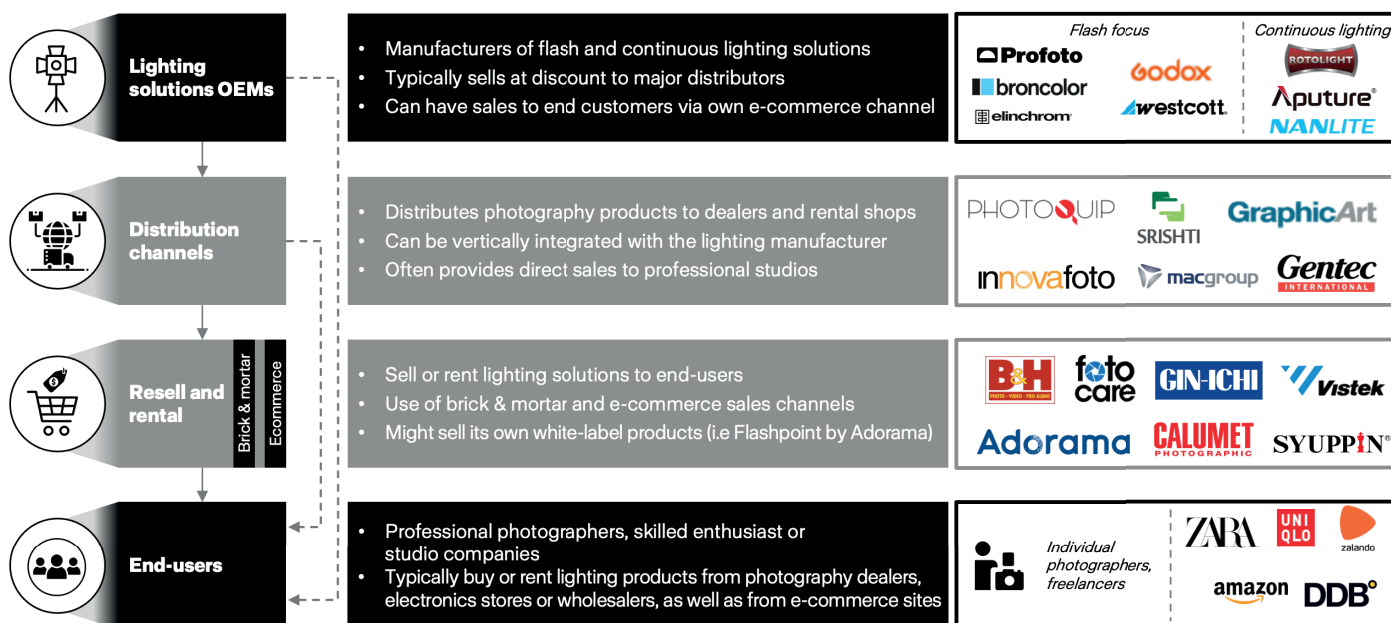
## Market split by solution and region, 2019



1) Market size is based on distributor sales value, as retail mark-up on lighting solutions fluctuate depending on brand, product and geography.

2) "Rest of World" is defined as all geographies excluding EU-32, US, China and Japan.

## Lighting solutions value chain






Source: Market participant interviews, the Market Study.

### Value chain

Original equipment manufacturers (“OEMs”) within lighting solutions have traditionally reached end-users through indirect sales channels, where distributors are key in managing relationships with local country retailers. In addition, distributors often manage direct sales to large professional photography studios. However, dealers and rental shops have been acting as the primary end-user touchpoint. The dealers often provide education to end customers and can influence the end-user purchasing decision making. Rental shops on their hand are an important channel that allows end-users to adapt to client requirements and reduce the need to invest in own equipment. End-users are typically renting their equipment for one-off events, during workload peaks and for travel-based projects that requires on-location delivery of equipment, and the rental cost is invoiced to the client of the event or the project. Key criteria offered to end-users through the rental channel is user friendly equipment, ease of integration and that it creates the ability to solve logistical issues. In addition to dealers and rental shops, direct sales through e-commerce sites is increasing, and some manufacturers are fully or partially integrated into distribution to increase closeness to core markets and enable higher margins. The lighting solutions value chain and example players across the different parts of the value chain are illustrated in the figure above.



## Lighting solutions market drivers and trends

Market drivers	Key market trends	Market impact	Description
 <b>Addressable users of lighting solutions</b>	Resilience in high-end digital camera sales	→	<ul style="list-style-type: none"> <li>Sales of digital cameras have declined in recent years, however, due to the resilience of premium camera sales this is expected to have marginal impact on lighting solutions</li> </ul>
	Increase in smartphone adoption	↗	<ul style="list-style-type: none"> <li>Smartphone use has led to an increase in the number of content creators, broadening the addressable user base for lighting solutions compatible with/created for smartphones</li> </ul>
	Growth in e-commerce	↗	<ul style="list-style-type: none"> <li>The rapid growth in e-com has led to an increase in demand for digital images, which is expected to further drive demand for lighting solutions and studio gear in particular</li> </ul>
 <b>Penetration of lighting solutions</b>	Increase in penetration of lighting solutions	↗	<ul style="list-style-type: none"> <li>The majority of professional photographers and content creators already use lighting solutions, and ~70% of those who don't indicate high likelihood of using it in the future</li> </ul>
	Decline in use of speedlight	→	<ul style="list-style-type: none"> <li>Speedlight sales are expected to decline through 2025. Market participants indicate that the end-user shift to other solutions will drive growth in the premium segment</li> </ul>
	Growth in use of continuous light	↗	<ul style="list-style-type: none"> <li>End-user migration towards becoming "hybrid users" (creating both still images and video content), will drive demand for and spend on continuous lighting solutions</li> </ul>
 <b>Spend on lighting solutions</b>	Increase in spend	↗	<ul style="list-style-type: none"> <li>A majority of end-users expect their spend on lighting solutions to increase over the next five years, with highest expectations on spend increase in China</li> </ul>
	Polarization of pricing	→	<ul style="list-style-type: none"> <li>Opportunity for premium brands to capture a larger share of the market as mid-tier competitors drop out of the market due to price decrease in the low-end segment</li> </ul>
	Upgrading of solutions	↗	<ul style="list-style-type: none"> <li>~25% of end-users expect to increase spend on lighting solutions in order to upgrade to a better brand and to improve functionality and durability</li> </ul>

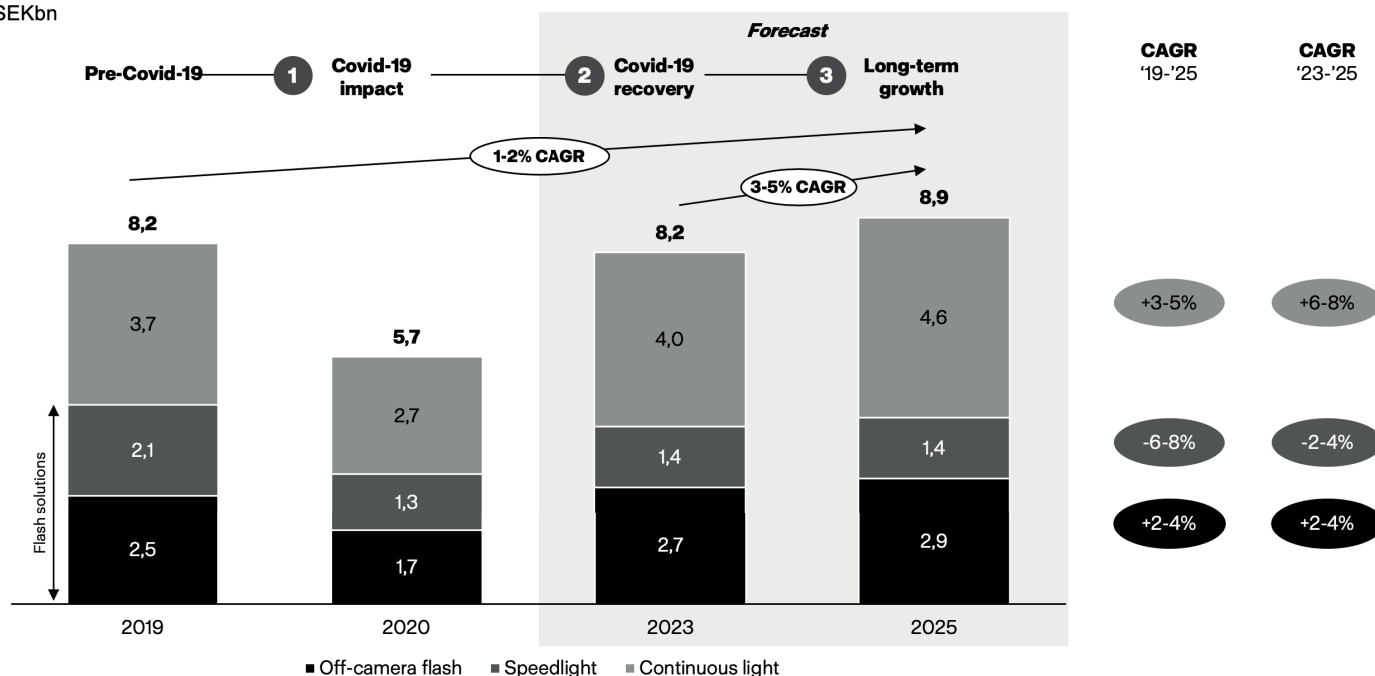
Source: CIPA, IDC, Statista, B&H, Market participant interviews, End-user web survey, the Market Study.

### Growth drivers and trends

Growth in the lighting solutions market is expected to be driven by a growing addressable user base along with increased lighting penetration and spend on lighting solutions. The growing user base is fueled by an increasing smartphone adoption and a rapid growth in e-commerce penetration. The increasing number of addressable customers include both expansion into new customer groups such as commercial accounts, and expansion into new applications such as smartphones, which creates an increasing adoption among existing customers. The increased penetration of lighting solutions refers to both lighting solutions in general and particularly the continuous light segment as end-user migrate towards becoming "hybrid users", creating both still images and video content. In addition to higher penetration, the spend on lighting solutions is also expected to increase, driven by a higher demand for upgraded solutions with improved functionality and durability.

## Lighting solutions market outlook

SEKbn



Source: Market participant interviews, End-user web survey, the Market Study.

### Market outlook

The lighting solutions market has shown stable historical development, indicating resilience to structural trends in the overall market. Particularly in the premium market segment, the use of lighting solutions has been increasing between 2015 and 2019<sup>1</sup>. The stagnation in digital camera sales is primarily affecting the low-end market segment in which user spend on lighting solutions is limited. However, the market as a whole was widely affected in 2020 due to Covid-19 and is estimated to have contracted by approximately 30 percent, with the largest impact on speedlight segment. Restrictions on travel and social gatherings put in place due to the pandemic have resulted in reduced demand for on-location photography as events have been postponed or cancelled. However, studio photography has increased driven by an elevated e-commerce penetration, which has somewhat offset the market decline.

Spending on lighting solutions is expected to gradually recover to pre Covid-19 levels and out of the end-user web survey conducted by EY-Parthenon, an aggregate of 83 percent of end-user survey respondents expect their spending on lighting equipment to have returned to pre Covid-19 levels during or before 2023<sup>2</sup>. Asian

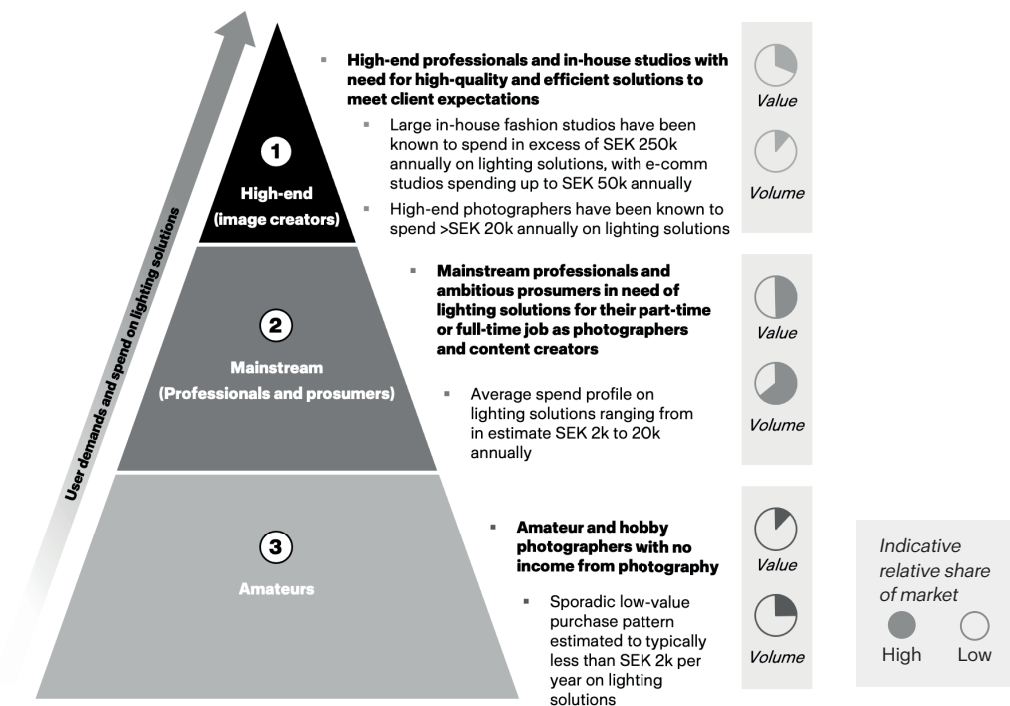
markets are expected to recover faster than rest of world as Covid-19 restrictions are lifted. Interviews with dealers in China and Japan indicate that sales have been improving since mid- to late 2020 and that sales levels are currently back to pre Covid-19 levels. The long-term spending on lighting solutions is expected to increase globally, with spending in China expected to increase the most supported by a trend to upgrade to a better solution and a desire for products with improved functionality.

The market is expected to have returned to SEK 8.2 billion by 2023 and is then estimated to grow by 3-5 percent CAGR to SEK 8.9 billion by 2025. The increase is primarily driven by the continuous light segment and partially by the off-camera flash segment, with expected CAGRs from 2023 to 2025 of 6-8 percent and 2-4 percent respectively. The speedlight segment partly offsets the overall market growth and is estimated to decline by 2-4 percent annually from 2023 to 2025.

1) Based on interviews in 6 geographies within EU-32.

2) Market participant interviews, end-user web survey. Excluding those who answered, "I don't know".

## Lighting end-users

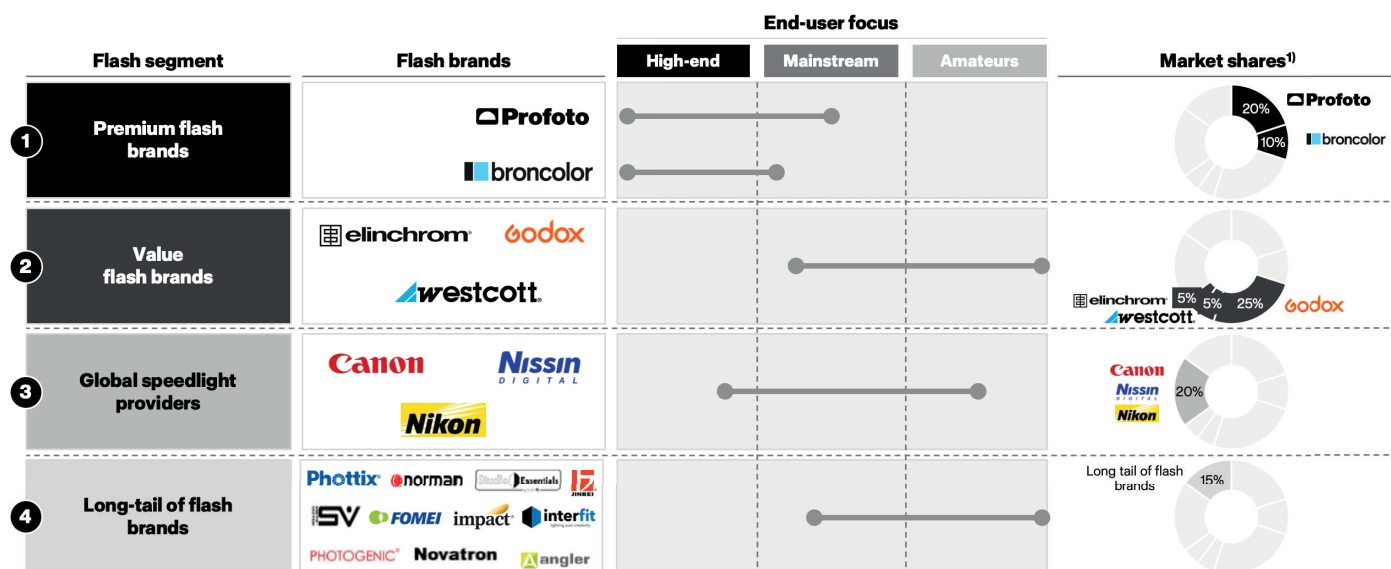


Source: Market participant interviews, the Market Study.

### End-user dynamics

Lighting end-users can be segmented into (i) high-end image creators, (ii) mainstream professionals/prosumers<sup>1</sup> and (iii) amateurs/general hobbyists. Typical high-end image creators are professional photographers, within e.g. fashion and celebrity photography, and in-house studios with need for high-quality and efficient solutions to meet client expectations. These customers are the most demanding in terms of quality, consistency and productivity, and spend at least SEK 20k per year but can also spend in excess of SEK 250k per year. Key purchasing criteria for this customer group is high-quality equipment, durability & reliability and innovative up-to-date technology. Mainstream professionals and ambitious prosumers are typically customers in need of lighting solutions for their part-time or full-time job, and their average spend range from SEK 2k to SEK 20k annually. Amateurs are hobby photographers with no income from photography and a sporadic low-value purchase pattern, typically spending less than SEK 2k per year. Contrary to high-end image creators, amateurs rank value for money as the most important key purchase criteria.

1) Professional consumers.

Competitive landscape mapping<sup>1</sup>

Source: Market participant interviews, the Market Study.

## Competitive landscape

The competitive landscape for flash solutions is divided into i) premium flash brands, ii) value flash brands, iii) global speedlight providers and a long tail of other minor flash brands. Profoto is the market leader in the premium segment, targeting mainly high-end image creators and to some extent mainstream professionals. Value flash brands primarily target mainstream professional and prosumers as well as amateurs, while global speedlight providers cover a wide range of customers within the speedlight segment.

The end-user needs are to a large extent catered for by the leading brands, which has resulted in that some mid-market players have disappeared from the market in recent years. The flash lighting market is thus consolidated and characterized by a few leading brands within each sub-segment. The five largest players are estimated to stand for approximately 65 percent of the market<sup>2)</sup>. Along the dimensions of i) perceived quality/price and ii) breadth of flash offering, the competitive landscape can be illustrated, see figure “Competitive landscape for flash solutions” on page 33.

A majority of the leading players in the market have a long heritage of providing solutions for professional photographers. However, their offering differ across geographies, revenue mix, end-users and distribution channels. Profoto has a wide offering across all three segments in the market and with distribution through both dealers, rental outlets and its own e-commerce site profoto.com.

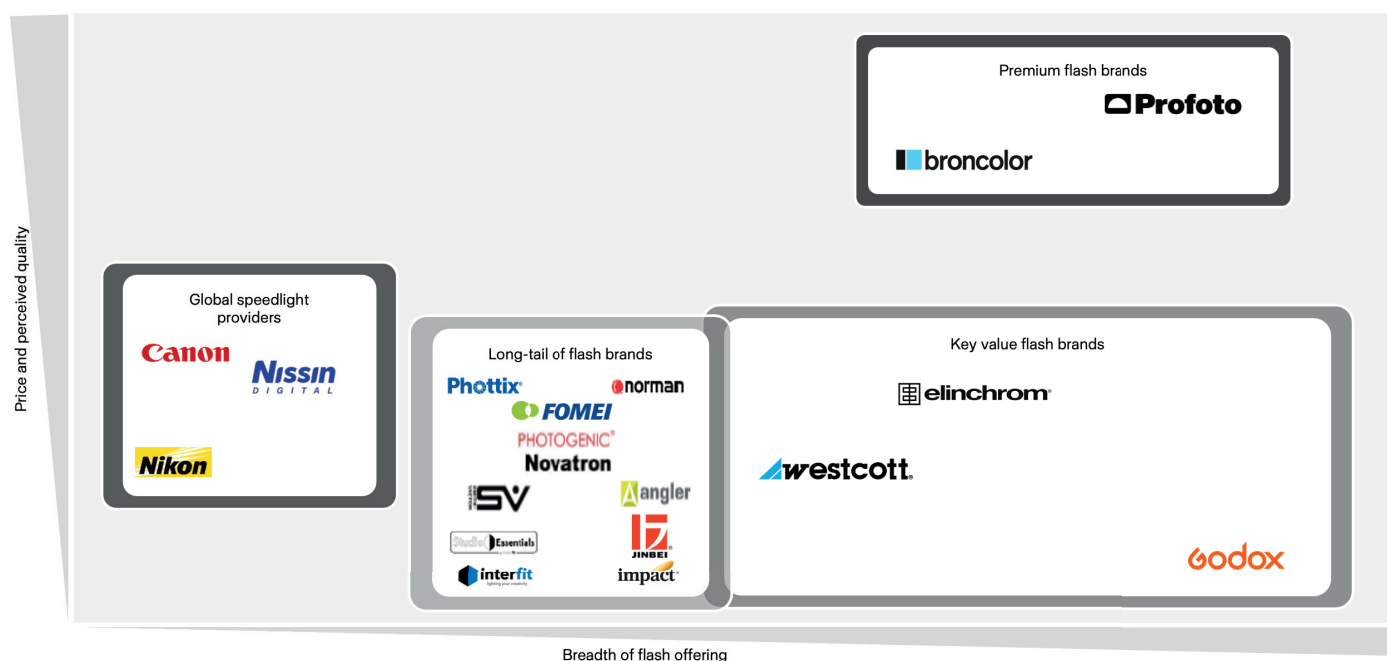
Profoto has more than 500 rental outlets offering Profoto's products globally.

1) Estimated flash market shares based on value in 2019.

2) In 2019, according to the Market Study.



## Competitive landscape for flash solutions



Source: Market participant interviews, the Market Study.

## Comparison with main competitors

							Relative share:					
							High Low			Fit Partial fit Not a fit		
	Brand	Est. market share	Founded	HQ	Coverage	# of employees	Speedlight	OCF (DC) <sup>1)</sup>	OCF (AC) <sup>2)</sup>	Own e-com	Rental	Dealer
Premium brands	Profoto	~20%	1968		Global	~90						
	broncolor	~10%	1958		Global	~60						
Value brands	elinchrom	~5%	1962		Global	~50						
	westcott	~5%	1926		Global	~25						
	godox	~25%	2009		Global	~1,000						

Source: Market participant interviews, Company websites, the Market Study.

1) OCF (DC): Battery powered Off-camera flash.

2) OCF (AC): Mains powered Off-camera flash.

# Business overview

## Introduction to Profoto

Profoto is a business-to-business company reaching out primarily to professional photographers. Profoto develops, markets and sells complete lighting systems for professional photography, including flashes and light shaping tools. The products combine both hardware and software, and together they form a system which works smoothly and seamlessly. The Company is positioned as a premium niche global leader in photography lighting solutions. This in turn is part of a larger and fast-changing image and content creation market. End users are professional photographers, commercial accounts, such as large consumer-oriented brands and e-commerce companies, as well as content creators. All end users are characterized by the fact that they are image creators rather than just picture takers, and for them light shaping is the essential part of the process. While Profoto's products include leading technology enabling, for example, short flash duration, fast recharging and extensive power range, its products are also intuitive, robust and easy to use, allowing the photographer to focus on being creative and getting the best shots.

Since its establishment in 1968, Profoto's products have garnered a loyal following among the world's leading photographers. Consequently, its brand connotes a premium product with a corresponding premium price point. Profoto is a global company with sales in more than 60 countries and local representation in North America, Asia and Europe, with its headquarters located in Stockholm, Sweden. The Company sells its products through 276 active dealers globally. Since launching its own online store, profoto.com, in 2018, Profoto also offers its products directly to end users in North America, the EU, the UK and Japan. Its products can also be purchased online through dealers.

Profoto benefits from the entrepreneurial spirit and drive originating from its founders, Conny Dufgran and Eckhard Heine. It has maintained a focus on its customers and the quality of its products through the years. Through continuous innovation and product development, Profoto has through the years become a market leader notwithstanding technological shifts and changing times, for example from analogue to digital, studio to on location photography and digital single-lens reflex cameras (DSLR<sup>1)</sup> to mirrorless cameras. Under the leadership of Anders Hedebark, who became CEO in 1997, Profoto has continued to show its ability to grow organically in more than 50 years, and through launches of new and upgraded products expanded in existing and adjacent customer segments, such as on location, natural light photographers and e-commerce.

Profoto has an outsourced business model, which permits it to focus on its core activities of sales and marketing and product development / R&D. All other activities such as production, warehousing, logistics, accounting, IT, services & repairs as well as non-core development within R&D are delegated to sub-dealers. This is further supported by an agile and adaptive organizational mindset with a focus on operational efficiency.

Through the combination of organic growth expansion and an outsourced business model Profoto has increased its sales and EBIT margin from SEK 89.3m and 9.8 percent in 2001 to SEK 832.8m and 26.7 percent in 2019, respectively.

## History

### Early adoption by leading photographers

Profoto was founded in 1968 by Conny Dufgran and Eckhard Heine with one ambition – to build the world's best photographic flash for the world's leading photographers. They launched the studio light

Pro-1 (studio flash generator) and soon Profoto became the go-to choice for professional studio photographers globally. Profoto's products were adopted quickly by famous fashion photographers and Profoto has continued to attract a loyal following ever since. The entrepreneurial spirit and drive have remained in the Company since its foundation and following the launch of Pro-1, the Company maintained its focus on customers and quality products which led to continuous product development and launches of improved versions of its products, including Pro-2, Pro-3 and Pro-5. Profoto's products have been adopted by rental studios aimed at serving the world's leading fashion photographers wherever they are shooting globally. This facilitated Profoto's early expansion into Japan in 1970 and the full-scale expansion into the United States in 1992 with the launch of Pro-6. The United States has since become Profoto's largest geographic market.

### Focused expansion and accelerated product development

In 1997, Anders Hedebark was appointed CEO and during his tenure the Company has continued its expansion. In 2001, when Profoto's sales were SEK 89m, the Company established subsidiaries in Germany, France and the UK, and continued to expand with the establishment of a subsidiary in Japan in 2005. From 2009, the Company embarked on a new growth journey based on a strategic initiative to accelerate its focus on innovation and new product development. The result has been launches of several new products. D1 was Profoto's first professional quality monolight (free standing off-camera flash). The D1 product has been successful and was soon followed by additional new products such as B1 in 2013, the first battery powered studio flash with AirTTL (a system allowing for sync and correct exposure of the image). Thereafter, e.g. Pro-10 was launched in 2016, the first high-end flash generation with AirTTL, A1 in 2017, the first truly high-end on-camera flash, and B10 / B10 Plus in 2018/2019, compact battery-powered hybrid flashes with both flash and video LED light, which were the first in firmware update over the air (OTA) in the photo industry, allowing continuous software updates to ensure optimal performance. Through these and other product launches, the Company has successfully expanded in existing as well as into new product categories and new customer segments, such as on location, natural light photographers and e-commerce. The Company increased its net sales from SEK 262m<sup>2</sup> to SEK 833m between 2013 and 2019 and as evidenced over the years, Profoto has solidified a proven track record of growing the business organically at a high rate.

### Continued long-term organic growth following temporary setback from Covid-19

Since the photography industry is dependent on travelling, events and other venues/framings, where people meet physically, Profoto was adversely affected by the Covid-19 pandemic in 2020.

However, the Company took action to reduce operational expenditures and improve efficiency, which was aided by its outsourced business model. Other external expenses and personnel expenses decreased by 32.7 percent and 23.4 percent, respectively, between 2019 and 2020. This mitigated the effects of the pandemic and has positioned the Company well for future growth. In 2020, the Company also continued its innovate work in the area of smartphone photography through the launch of full compatibility with studio flashes for smartphones and full expansion of profoto.com in the EU, the UK, North America and Japan to reach new customer groups. Since its establishment, Profoto has operated through

1) Digital Single-Lens Reflex.

2) Profoto AB annual report 2013.

changing times and shifts in technology – from analogue to digital, studio to on location and DSLR cameras to mirrorless cameras – and has notwithstanding continued to be a market leader by consistently delivering products that provide great light in every image. As Profoto continues to stay ahead of the curve and provide leading lighting solutions and an effective workflow (work / time from idea to finished picture delivered to the client) for professional photographers, it is also embracing the smartphone era. This means a shift with an unparalleled number of photos being taken and shared worldwide and Profoto's ambition is to continue to deliver on its already successful organic growth story.

### **Profoto's strengths and competitive advantages**

Profoto considers itself to have the following strengths and competitive advantages enabling the Company to implement its strategy and achieve its financial goals:

- Leading position in a global niche of the fast changing and growing image and content creation market
- Premium brand used by the leading photographers
- Asset light business model with continuous focus on core operations and innovation to drive profitable growth and expand the addressable market
- Global go to market strategy
- Competent and dedicated management with track-record of creating a technology leader
- Long-term organic growth combined with exceptional profitability

### **Leading position in a global niche of the fast changing and growing image and content creation market**

Profoto is active in the fast changing and growing image and content creation market and is a leading brand within lighting solutions for professional still photography. The image and content creation market has been growing in recent years and is expected to continue growing, fueled by favorable macroeconomic, social and digitalization trends such as growth in disposable income, changing travel patterns, increasing demand for digital content, adoption of smartphones and growth of e-commerce.

The image and content creation market comprises different components for imaging, production and creative solutions, of which lighting solutions are a key component for still photography and video. Lighting solutions is a global niche that make up off-camera flashes, on-camera flashes, continuous light, shaping tools and accessories aimed at creating and shaping light for professional photographers. Offering a broad comprehensive system of integrated flashes and light shaping tools which are integrated with the professional photographers' camera with the aid of Profoto's built in technology in the form of hardware, Profoto's core focus is the OCF segment. In this segment, the Company has a leading position with 20 percent market share and believes that there is attractive potential for continued growth. The size of the lighting solutions market is estimated at SEK 8.2 billion in 2019 and is expected to return to this level by 2023 and continue to grow by a CAGR of 3–5 percent from 2023 to 2025. Growth in the lighting solutions market is expected to be driven by a growing addressable user base along with increased lighting penetration and spend on lighting solutions.<sup>1</sup>

### **Premium brand used by the leading photographers**

Profoto has a premium position in its market niche with a higher perceived product quality and a higher price compared to key competitors.<sup>2</sup> The Company has a clear premium pricing strategy based on customer value and a strict pricing discipline with limited discounts and price reductions. Profoto's high quality products offer appreciated attributes for professional photographers such as short flash duration, extensive power range and fast recharging. In addition, the products are developed to be intuitive and easy to use, both in the studio and on location.

Profoto has large base of loyal end-customers with a relatively low level of price elasticity as they use the products in their profession. The customers are passionate about photography and light is one of the most important aspects for photographers when creating an image. Profoto's lighting systems is thus an important element for photographers to stand out compared to its competitors, which according to the Company is driving a willingness to pay a premium price for premium products. Furthermore, the price for Profoto's products is relatively small compared to the overall cost for a larger photoshoot, such as for example a fashion shoot, allowing photographers to focus on quality rather than price when selecting lighting systems.

### **Asset light business model with continuous focus on core operations and innovation to drive profitable growth and expand the addressable market**

Ever since its inception in 1968, Profoto has been customer centred and focused on developing new products to adapt to customer needs and drive change in the market. Through major product launches, the Company has fortified its position as one of the leaders in technology, added new customer groups and expanded Profoto's addressable market. From introducing the first high quality professional monolight for studio photography in 2009, the Company has added products for on location photography, natural light shooters and launched in 2019 a unique and proprietary solution for professional photographers to take beautiful flash images with smartphones. Currently, the Company has 44 people (employees and full-time consultants) engaged within the technology areas web development and technical development, and Profoto has invested an average of 11 percent<sup>3</sup> of sales in R&D annually between 2018 and 2020 to support constant innovation and increased growth. Innovation and product development is built into Profoto's DNA and the strategy is to outsource everything that is not considered core business, such as production, warehousing, logistics and support services. This allows for a greater flexibility and an asset light business model which has resulted in an attractive adjusted return on capital employed (ROCE) of 55 percent in 2019. In addition, the Company gets access to experts in every outsourced area and can benefit from knowledge sharing as well as increased efficiency in all areas of operations.

### **Global go to market strategy**

Profoto has a global go to market strategy with sales in over 60 countries around the world and a large network of 276 active dealers. Profoto has its own subsidiaries in seven key markets: US, Germany (DACH)<sup>4</sup>, UK, France, Nordics, Japan and China. Sales through these subsidiaries represented approximately 80 percent of net sales in 2020, while approximately 15 percent of net sales

1) The Market Study.

2) The Market Study.

3) Including both capitalized investments and direct costs related to R&D.

4) Germany, Austria, Switzerland.

came from external distributors and approximately 5 percent of net sales came from Profoto's direct e-commerce channel, profoto.com, where Profoto offers its products directly to the end-users.

Dealers are the main sales channel and the sales strategy is to focus on the top 30 key accounts globally, together accounting for 53 percent of net sales in 2020. Through its market leading position, long track record and strong brand, Profoto has developed strong relationships with the dealers and a majority offers a wide range of Profoto's products. Profoto strives to maximize sales in each dealer channel by applying a Key Account Management (KAM) strategy. The KAM strategy is further applied towards rental studios and commercial accounts, combined with more focused channel marketing efforts. Through profoto.com, launched in 2018, Profoto applies several digital marketing tools to drive customer acquisition, increased traffic and conversion on the website. Profoto.com is also used to improve the purchase- and customer experience for the end user. Overall, Profoto has developed a well-functioning sales organization, and created strong barriers to entry for small, local players.

#### **Competent and dedicated management with track-record of creating a technology leader**

As earlier described, Profoto was founded in 1968 by Conny Dufgran and Eckard Heine. Anders Hedebark joined as CEO in 1997 and has since become a major shareholder. Profoto's management philosophy, with focus on innovation and operational excellence, has been built over several years and the Company today has a dedicated management team with a relentless entrepreneurial drive that is further amplified across the organization. Through the core focused business model, the Company has been able to reach a high level of operational efficiency that is now built into the DNA of Profoto, applying flexible work procedures with clear goals for all employees. The agile leadership combined with the core focused business model has contributed to the creation of a technology leader within its market niche. This is evidenced by the recurring major product launches and entrance into new customer segments, which also has driven change in customer needs through a never-ending ambition to lead market innovation. Today, Profoto offers a unique and comprehensive lighting solutions system, including products and features such as radio TTL/HHS, high-powered flash high-end speedlight and smartphone flash solutions. Among the main competitors, Profoto has the largest number of patents and highest perceived level of innovation.<sup>1</sup> The management of Profoto has deep industry knowledge, both in terms of customer relationships and know-how within photography as well as within marketing, branding, product development and sourcing. The management is also highly educated, many with double university degrees.

#### **Long-term organic growth combined with exceptional profitability**

Profoto has a long history of organic growth combined with exceptional margin development. The Company has grown significantly with expanding operating margins over time, from SEK 89.3m in net sales and 9.8 percent EBIT margin in 2001<sup>2</sup> to SEK 832.8m in net sales and 26.7 percent EBIT margin in 2019.

The growth has been fueled by the Company's customer-focused strategy and continuous innovation, creating a broad and diversified product portfolio of high quality, easy-to-use and functional lighting solution systems. Despite significant investments in R&D and innovation, the Company has successfully combined

organic growth with high margins through an increased focus on operational excellence. For more than 10 years, the Company has prioritized projects with high pricing, with the result that the trademark is still perceived as premium and that the Company has only launched products with short pay-back time and high margins. In 2018 and 2019, the Company achieved an EBIT margin of 26.9 percent and 26.7 percent, respectively.

#### **Growth strategy**

##### **Organic growth within professional still photography**

The core of Profoto's strategy is to continue to grow organically within professional still photography. Innovation is built into the DNA of Profoto's and constitutes a significant part of the Company's heritage and a key component in the continued growth journey. Profoto aims to continue its systematic product development strategy and its product roadmap to drive growth through new product launches. The strategy is to continue develop and launch new products with increased customer value such as better performance, improved connectivity features and design that enables Profoto to grow within existing and adjacent customer groups.

As part of new product development, continuous upgrades are an integrated part of the growth strategy. Through small modifications and upgrades of existing products, Profoto can adjust to changing needs and requirements from existing customers, but also address adjacent customer groups. For example, Profoto launched A1 as the first high-end on-camera flash in 2017 to attract new customers and convert natural light shooters to use flash. A1 has been followed by A1X in 2019 and A10 in 2020 with several upgrades in performance and user interface. Furthermore, Profoto upgrades its products based on the existing technology platform to provide customers with the latest technology in all product categories. As evidenced, the Company has a structured approach to product life cycle management, where all products are provided with a strategy for initial launch and where continuous upgrades are evaluated over time.

Important complementary key activities to grow organically and support new product launches include an efficient sales and marketing strategy. With support from the commercial calendar, an extensive marketing toolbox, a large dealer network and an online direct channel on profoto.com, Profoto aims to continue with careful planning of focused sales and marketing activities to increase sales from existing customers as well as to reach new customers. The strategy is to reach new customers through directed new leads activities on social media, in communities and through dealer activities. Activities include marketing of new and existing products as well as the educations that the Company offers within the framework of Profoto Academy. The aim of Profoto Academy is to move new-to-flash photographers up the learning curve and help them understand the importance of light to create a great image. This is carried out in a series of focused online video courses that teach the language of light through the eyes and vision of some of the industry's most respected photographers, with the ultimate objective to get the people who have completed the courses to invest in Profoto's products.

Furthermore, Profoto aims to cross sell additional products to existing customers, for example a second or third light, light shaping tools and accessories. By tracking customer behavior and requirements, user generated content and directed marketing on social media and mail can be applied towards existing customers, primarily on profoto.com but also partially in the dealer channel. In

1) The Market Study.

2) Profoto AB annual report 2002.



addition, profoto.com offers attractive ways of improving the customer journey through inspiration and suggesting complementary products online, from entering the website to check-out. By continuously educating dealers on most suitable system of products and sets of accessories and light shaping tools, a similar up-sell strategy is applied in the dealer channel.

#### **Growth within professional smartphone photography**

Content creators are to an increasing extent using smartphones in their profession, which is expected to increase the addressable user-base for lighting solutions and create opportunities for growth in smartphone lighting solutions. Smartphone usage has been increasing over recent years and global smartphone sales is expected to continue growing from 1.4 billion units in 2019 to 1.5 billion units 2025. However, the primary driver for Profoto is the increasing use of smartphones in professional photography, where current use is 10 percent and planned use is estimated to 77 percent.<sup>1</sup> The ongoing trend towards professional smartphone photography represents an attractive customer group and an attractive area of application, even if current customer group is limited today. With improved connectivity features through the launch of innovations such as Profoto Camera, Smart-TTL, Profoto RAW and AirX, Profoto has an offering which together has the potential for professional photographers to benefit from a smooth end-to-end smartphone workflow. The ultimate goal within the segment is to offer solutions for the full workflow for professional use within smartphone photography and to create even smoother processes for professional photographers to capture fantastic images.

#### **Growth within continuous light**

Another large and adjacent customer group for Profoto is multipurpose content creators. There is an ongoing trend where end-users migrate towards becoming hybrid users, creating both still images and video content, and the continuous light segment is expected to be the fastest growing segment within lighting solutions, at a 6-8 percent CAGR from 2023 to 2025.<sup>2</sup> Profoto aims to grow its position within this segment through potential launches of hybrid products tailor-made for both still photography and video content creation. In addition, Profoto aims to highlight features that support video content creation to a greater extent in upcoming marketing activities towards multipurpose content creators to raise awareness about the continuous light possibilities within Profoto's current product offering.

#### **Growth within industrial / e-com workflow**

Along with the increasing e-commerce penetration, the need for high volume and digital content to online shops<sup>3</sup> has increased accordingly<sup>4</sup>. This increase is expected to drive further demand for lighting solutions and studio gear in particular. For Profoto, this represents a relatively new potential customer group requesting both hardware and software solutions for volume photography. Profoto has taken initial steps into the segment with D2 Industrial, which is a product specifically developed for volume photography, addressing commercial accounts in particular. Further growth is expected by improving connectivity and software solutions to address customer needs as well as fine-tuning sales and market-

ing activities. There is also an ongoing exploration of opportunities within emerging industrial applications such as robot solutions for volume photography.

#### **Selective platform acquisitions**

Beyond organic growth, Profoto also considers selective business acquisitions. The strategy is to proactively evaluate strategic acquisitions to expand the product offering further, strengthen competencies and resources and broaden the customer base through bolt-on or platform acquisitions. Acquisitions are primarily considered within the segments smartphone photography, continuous light and industrial / e-com workflow. The rationale for potential upcoming acquisitions would mainly be to reach new customer groups and to increase market share faster than through only organic growth.

#### **Financial targets**

The financial targets below constitute forward-looking statements which are based on a number of estimates and assumptions, and subject to risks and uncertainties. Profoto's actual results may differ materially from what is expressly or implicitly stated in these statements due to a variety of factors, of which some are outside the Group's control. Profoto's business, profitability, the development of the industry and the macroeconomic environment in which Profoto operates, may differ materially, and be more negative, than that assumed when preparing the financial targets set forth below. In addition, unanticipated events, whether within or outside of Profoto's control, may adversely affect the actual results that the Group achieves in future periods whether or not these assumptions prove to be correct. Refer to the section "Risk factors".

The board of directors of Profoto has resolved on the following financial targets for the Company.

Target	Description
<i>Net sales growth</i>	Profoto aims to, over time, achieve a constant currency annual organic growth in net sales of above 10 percent and reach net sales exceeding SEK 800m by 2023.
<i>Profitability</i>	Profoto aims to maintain an EBIT margin within 25–30 percent whilst growing EBIT year-over-year. <sup>5</sup>
<i>Dividend policy</i>	Profoto aims to pay out at least 50 percent of its net profit, while also taking into account other factors such as financial position, cash flow and growth opportunities.

1) Market participant interviews, end-user web survey.

2) The Market Study.

3) Also covers websites and social media shopping platforms.

4) The Market Study.

5) Prioritization of net sales growth in top end of margin range and profitability at bottom end of margin range.

## Product offering

### Comprehensive product offering for the professional photographer

Profoto's product offering originated with photographic flashes for professional photographers, starting with its first studio light, Pro-1, launched in 1968. The product offering has since been broadened through innovation and technological change to address a wider range of applications and end users. Profoto's products combine hardware and software and together form a photography lighting system comprising flashes and light shaping tools, which via solutions such as AirX and AirTTL allow for synchronized communications between units for optimized performance. Embedded firmware / software in the products can also be updated over the air (OTA) to ensure that the customer has the latest version with the best performance. Customers have options ranging from smaller and easier-to-use models, such as C1, all the way up to the recently launched Pro-11 for the leading professional studio photographers in the world. This enables the Company to attract a wider spectrum of customers. The Company aims to grow along with its customers, offering them more sophisticated products throughout their lifetimes.

Profoto's products can be divided into the following product areas: Profoto lights (consisting of Studio lights, OCF lights and Clic lights), Light shaping tools and Remotes and accessories.

### Profoto lights

- Studio lights: Comprise monolights (free standing off-camera flashes), generators (separate flash generators) and heads (separate flash lights), which are products and gear for the discerning professional studio photographer and high volume commercial accounts such as e-commerce customers that shoot all day and require superior performance, quality and durability. These

products are also carried by rental companies / studios that provide products and services to mainly high-end professional photographers. Studio lights include the flagship product Pro-11 and the monolight D2 range which have price points of EUR 16-33k and EUR 1.9-3.0k, respectively.

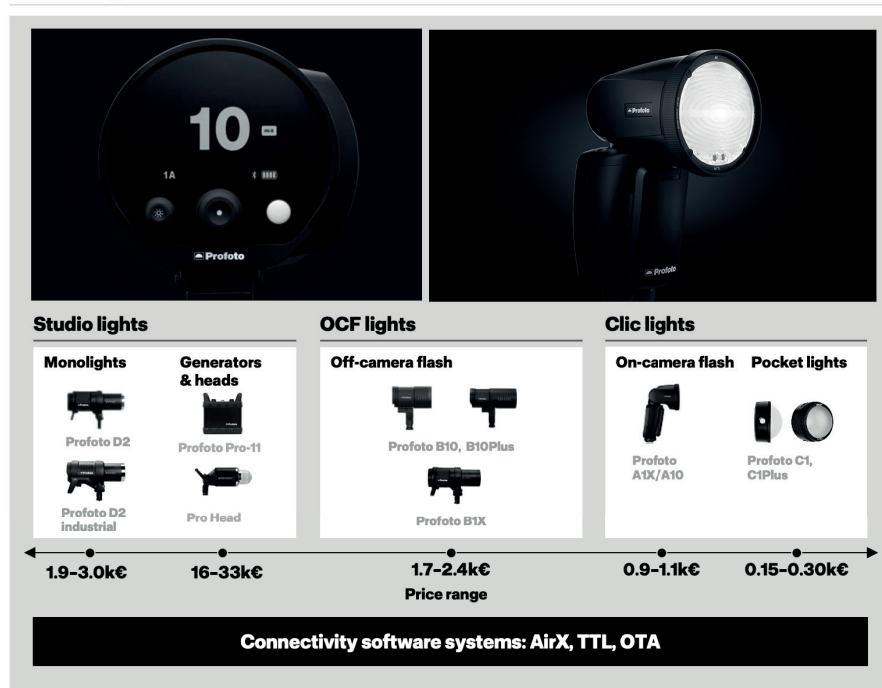
- OCF lights: Comprise off-camera flashes which are often used for on location shoots, that is, shoots that are not in a studio. These products are characterized by their high portability and versatility while still delivering high quality performance in a small package. These products are used by, for example, photographers who often switch between many different types of assignments and therefore carry what they need for the assignments in a bag. This category includes the B10 range with a price point of EUR 1.7-2.4k.
- Clic lights: Comprise on-camera flashes and compact small flashes. These products provide an entry into light shaping and are smaller, more intuitive and easier-to-use. They can be utilized on-the-go, for example by wedding photographers and are well-suited and developed for smartphone photography. This category includes the A1 range with a price point of EUR 0.9-1.1k and the C1 range with a price point of EUR 0.15-0.30k, respectively.

### Light shaping tools:

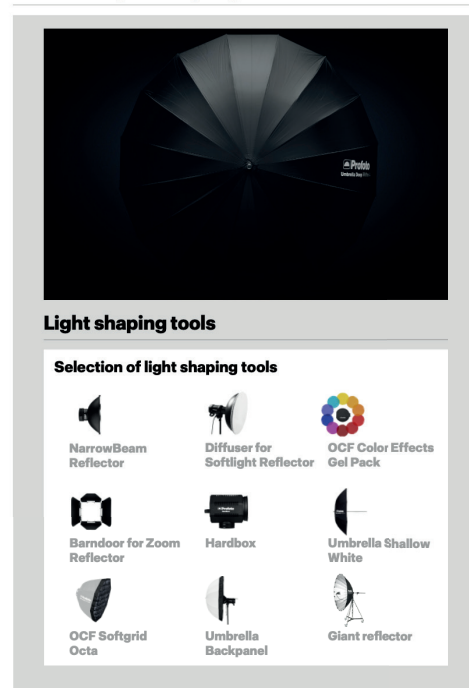
- Comprise tools that are used to modify light, for example to make it softer or harder and are also used for directional and diffused lighting. Products include reflectors, umbrellas, hardboxes and colour filters, among others. Umbrellas are for example used to provide softer and more flattering light. These tools can also be used in combination to achieve the desired effects.

## Profoto's product offering

### Profoto lights



### Profoto light shaping tools



**Remotes and other:**

- Comprise remotes that connect the cameras to the off-camera flashes, batteries, bags and other accessories.

**Products provide clear benefits to leading photographers**

While Profoto's products include leading technology enabling, for example, short flash duration, fast recharging and extensive power range, its products are also intuitive, robust and easy to use. The design of the products is developed from customer needs. The aim is, and has always been, to enable the creative process of photographers. Key characteristics of Profoto's products include:

- **Reliability / durability** – The products are designed to never let the photographer down and they are robust and built to last, making them a great investment. The ambition is to never let a photographer miss a shot and allow them to work with the highest quality of light. Through a global dealer network and high usage among rental studios, photographers will be able to get access to Profoto products no matter where in the world the photographers are shooting.
- **Innovative** – Offers smart design based on 50 years of research, user insights, creative thinking and pioneering ideas. Profoto is shaping the industry while making step changes in the technological forefront. The ambition is to always be improving. Recent innovative examples include seamless connectivity and functions to help the photographer take great pictures, such as AirX, AirTTL and smartphone app Profoto Camera.
- **Intuitive** – Profoto's products are not complicated but easy to set up and simple to use. Products do not include any unnecessary buttons or dials and displays are adapted for the photographers.
- **Built for the photographer** – Everything from how a knob feels to how a beep sounds are designed to be tactile and operated in a photo shoot environment to make the job as a photographer easier. Products are part of a system where everything works smoothly and seamlessly together. Profoto offers a broad range of light shaping tools that the photographer can grow with.

**Customers and sales****End users are leading professional photographers and those who aspire to be**

Profoto's end users are all photographers with varying degrees of abilities. All end users are characterized by the fact that they are content creators and *create* images rather than just *taking* pictures, and for them light shaping is essential. The original end users were high-end professional fashion photographers. Today the customer base is broader and Profoto's products are used in a range of photography applications such as fashion, beauty, portraits and products, weddings, events, both in studio and on location, and by users who are new to flash photography all the way up to advanced users such as fashion photographers. Customers can be segmented in the following end user groups:

- **Professional:** Professional photographers that make a full- or part-time living from photography. This can range from the most revered photographers of our time to part-time photographers on location, such as wedding photographers. Also, this customer segment includes fashion photographers that rent equipment wherever in the world the shoot is taking place through either a rental company or a studio.
- **Commercial accounts:** Larger corporate accounts where photographic imaging and creation are an important part of the end user's business. This can include larger consumer brands as well as e-commerce companies.

- **Content creators:** Photographers with a deeper interest in creating images and to develop their skills further. This may include photographers that are new to flash photography and moving away from natural light photography, aspiring flash photographers and ambitious prosumers such as influencers and bloggers.

**Premium brand and premium pricing**

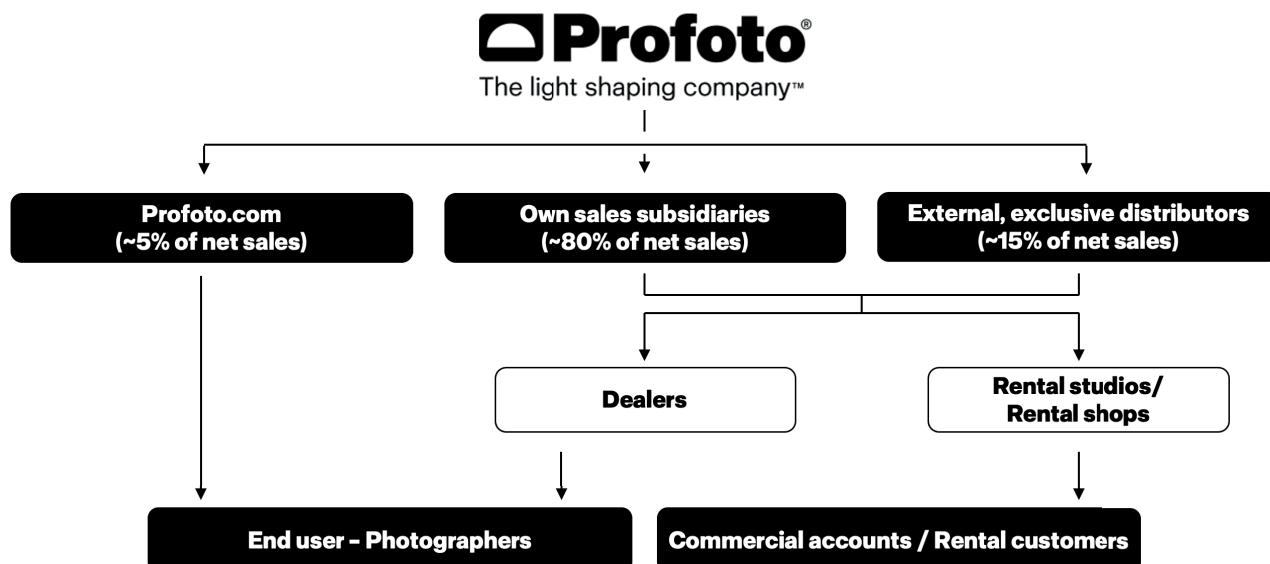
Profoto products are used by the leading photographers in the world and by those who aspire to be. As such, the brand is synonymous with being a premium product and having a premium position in the market. Therefore, Profoto employs a value-based pricing approach rather than a cost-based approach. Having a premium brand enables Profoto to sell its products at premium prices which are significantly higher than those of its competitors. Furthermore, to maintain these price levels, Profoto works to harmonize global price lists, to ensure consistent pricing globally, provide tight channel distribution, by focusing sales and sales efforts on a limited number of dealers, and limit any discounts and lowering of prices to customers. Professional fashion photographers travel the world and usually rent Profoto light equipment at the shooting location. The share of the rental cost in relation to, for example creative fees, model fees, studio rental and catering is relatively low and is also invoiced to the client, further reducing sensitivity to price. As a consequence of the above, Profoto is able to achieve high gross margins and EBIT margins.

**Global sales**

Profoto sells its products in more than 60 countries globally. In order to reach its end users and maximize sales Profoto has developed a focused sales strategy. Dealers are, and have historically been, the main sales channel. They deliver a key value add for the end user as they function as a one-stop-shop for everything photo related, for example cameras, flashes and accessories. Profoto's business model is focused on a tight distribution and on a limited number of selected dealers, leading to good price management, enabling dealers to invest more resources in Profoto and mitigating competition on price. Profoto has 276 active dealers globally. The sales strategy is to focus on the top 30 key accounts globally, which accounted for 53 percent of net sales in 2020. On these largest accounts the Company employs a global Key Account Management strategy where the aim is to maximize sales activities in the dealer channel. With each key account there are detailed quarterly Key Account Planning events with monthly follow ups where clear joint targets are set up, executed and evaluated. By focusing resources and investments on fewer dealers in a centralized business model Profoto aims to become even more effective and increase sales.

Profoto has its own local representation and subsidiaries in its seven key geographic markets: US, DACH, UK, France, Nordics, Japan and China. In these countries the Profoto sales organization directly targets dealers, rental customers and commercial accounts while employing the Key Account Management strategy coupled with focused channel marketing efforts. Channel marketing efforts in respective channel include assisting dealers excelling in executing online (events, social media, e-mail, stores) as well as in store efforts such as store execution, events and education. Overall sales through the own sales subsidiaries channel accounted for approximately 80 percent of net sales in 2020.

## Profoto's sales channels

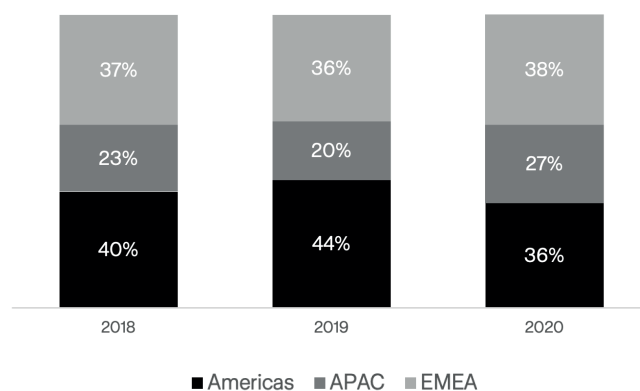


In 2018, Profoto launched its own online store in order to offer an alternative way to reach and communicate with its customers directly and to be able to further strengthen its relationship with its loyal end users. Profoto.com is an online showroom offering the complete wide product range to customers in North America, the EU, the UK and Japan. Since inception, profoto.com has grown to account for approximately 5 percent of net sales in 2020. In the profoto.com channel the Company employs its own direct sales and marketing efforts through an in-house team setup within the organization. The marketing and the traffic-driving mechanisms Profoto uses for profoto.com act as an accelerator to create demand in all Profoto's sales channels. Profoto.com is positioned as a premium shop where the customer, regardless of level and interest, gets a fantastic shopping experience.

In countries without local representation Profoto employs a model with external exclusive distributors who on behalf of Profoto drives the sales activities toward dealers and rental customers. However, Profoto area managers are still involved in each of the larger top 5 accounts together with the exclusive local distributor. This channel accounted for approximately 15 percent of net sales in 2020.

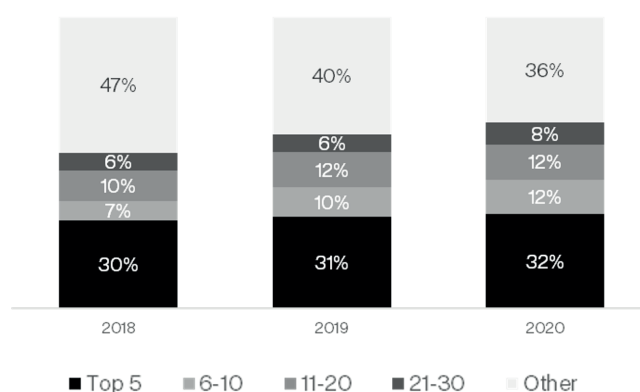
### Sales split by geography

SEKm



### Sales split by dealer

SEKm





**Extensive marketing initiatives**

Profoto has a rolling 12 months commercial calendar of activities that is carefully planned for each of its products in order to systematically drive monthly sales throughout the year. To fuel growth, Profoto pursues several global marketing initiatives supporting the commercial calendar, which include:

- **Product launches:** Profoto plans simultaneous product launches worldwide throughout the year at strategic times to maximize distribution, coverage and impact. Launches are carefully planned and executed with key activities to drive awareness and traffic in digital media channels and close to purchase activities in the sales channels. Examples of these activities executed in relation to product launches might include inspiration / instruction videos, public relations, reviews, social media, ambassadors and online advertising, and detailed implementation and information to the store level, dealer training and events and products in store at launch.
- **Digital marketing:** Profoto focuses on driving new customer acquisitions and increased traffic to Profoto's digital channels through paid online marketing, organic and paid social media, marketing through partnerships / collaborations and working with external online communities / forums and SEO (Search Engine Optimization). Profoto utilizes its reach in its own digital channels to guide the customer in its purchasing decision journey.
- **Channel marketing:** Channel marketing is aimed at helping dealers optimize the customer experience both online and in store, as well as being part of the implementation of Key Account Management strategy. Profoto is taking initiatives to help dealers with online brand stores to better position themselves in an environment with increasing online purchases by end users. This is for example done by setting up online stores with correct pictures and copy of the products and presenting them in the correct way with consistent brand message and unique selling points. Also, it includes optimizing online activities and investments in for example social media marketing, direct e-mail and online events. In store execution ensures proper positioning of the Profoto brand and conveying a premium impression, while also showcasing the products with a try-before-you-buy approach. Profoto offers both in store and online training to safeguard a strong knowledge of the products and their applications.
- **Brand and marketing communication:** Profoto is associated with the leading photographers in the world and this notion is consequently nurtured through launches and other marketing communications and branding campaigns. Through working closely with end users Profoto associates itself with key photographers who exclusively use and endorse its products.
- **Profoto Academy:** The Profoto Academy is a paid online education, teaching image creators about the use of light to expand their knowledge and creativity in order to acquire new customers that will ultimately invest in Profoto products and continue to do so over time.

**Said about Profoto**

**Sal Cincotta on lighting and Profoto:**

*Why is light important?*

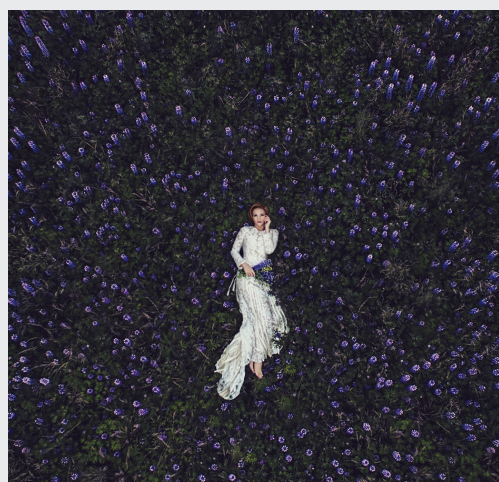
"Light isn't "important" to making a photograph... It's the most crucial element to making a great image. The quality and consistency of light is more important than any other ingredient in image making"

*Why Profoto?*

"As a professional photographer, you need quality ingredients to deliver a quality product. The reality is, not all light is created equally. Profoto creates the highest quality of light that is superior in its design and its output. It gives me the confidence I need to ensure I'm performing at a professional level and delivering the best possible images to my clients"



Sal Cincotta, USA.  
One of the top wedding photographers in the world.





**Said about Profoto, cont.**

**Lindsay Adler on lighting and Profoto:**

*Why is light important?*

"Light is important because it is the most important tool that photographers have. It is what allows us to direct the eye, control the mood, and craft purposeful imagery. My lighting is one of the most important reasons I get hired - people can see in my imagery that my skill in lighting allows me to bring any concept to life"

*How much money is normally spent on lighting vs models, props etc. in a shoot?*

"In a large shoot at a rental studio, typical gear rental is somewhere between \$2,000-\$3,000 per day. A model is paid between \$2,500-\$5,000, props depend on the concept, camera is usually my own gear. I actually do a LOT of shoots at my own studio because I can offer significant cost savings to my clients (up to \$4,000 per day when you combine gear, rental, studio, and overtime costs)"



Lindsay Adler, USA. Fashion photographer.

*Why Profoto?*

"Profoto is the best for so many reasons. Their light shapers are superior. Their range of strobes to suit my different needs is perfection (location, studio, super power packs). Their quick-release mounts are a life-changer. As a professional, it's all I use!"



## Product development / R&D

### Product development is part of the DNA

Product development and R&D is and has always been a key focus area for Profoto and constitutes a significant part of the Company's heritage and DNA. From its foundation in 1968 until today, the ambition has always been to create the world's best flashes. Throughout the years, the Company has been driving shifts in technological advancements and photographic trends and has managed to stay ahead of the curve through continuous innovation and product development. All strategic research and product development are performed in-house and today the Company has a team of experts in the fields of Image Technology, Power Electronics, Connectivity, Embedded Software and product design or mechanics. The team comprises 44 people (employees and full-time consultants) within the technology areas web development and technical development. Profoto has had a high level of R&D spend of 11 percent, 9 percent and 13 percent of sales in 2018, 2019 and 2020, respectively.<sup>1</sup>

New product ideas and product roadmaps are generated through a continuous idea generation process and quarterly roadmap reviews. The process takes into considerations a multitude of factors:

- Customer – market and trend insights
  - Sales, Marketing, Rentals, Distributors, Dealers
  - Product reviews
  - Profoto social channels, communities and customer support
  - Customer interaction, research etc.
  - Trade shows
  - Blogs and user forums
  - Competitors, camera manufacturers and other industry actors
- Technology opportunities and technology trends
- Desktop research

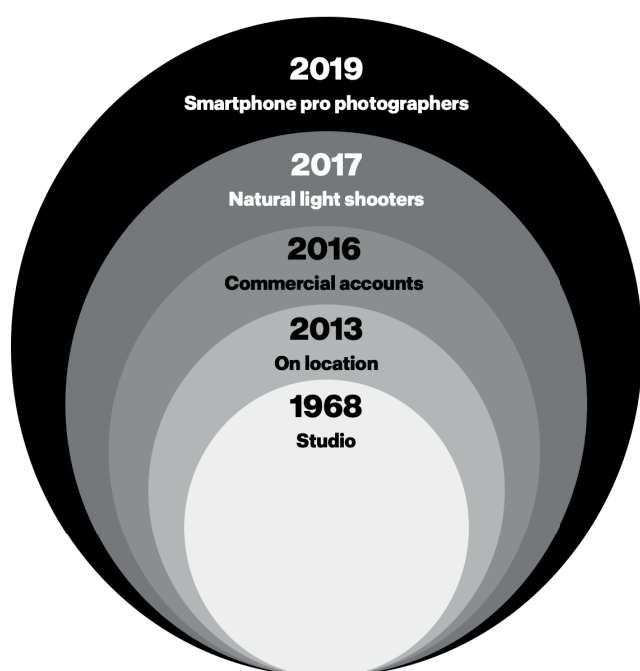
- Corporate strategy and brand
- Profoto research projects
- Product legacy
- Innovation / ideation workshops

Ideas are further prioritized by the Product Board, consisting of a cross-functional product team, based on a preliminary business case and then translated into a Product Roadmap. The Product Roadmap includes tentative product definitions, value propositions, target segments and price points. This is updated, synched with R&D resource planning and aligned with management team quarterly to ensure resources to market, cost profile and business case. Furthermore, regular iteration of production costs and product sales simulation are used to secure that the gross margin goal of new products are kept to the high Profoto profitability standard. In addition, as part of its new product development process the Company actively works to improve its design for manufacturing / assembly as well as modularization to further capitalize on leverage in scale in production and sourcing to be able to further improve on its cost base.

### Product innovation drives sales

The systematic process of new product development coupled with a detailed product life cycle management approach, where all products are provided with a strategy from initial launch via facelift to end-of-life, has enabled Profoto's successful growth within existing and adjacent customer groups. An overview with examples is provided below:

## Growth within existing and adjacent customer groups



Year	Product	Customer group
2021	Profoto Camera	Smartphone pro photographers
2021	Pro-11	Studio, Commercial accounts
2020	A10	Natural light shooters
2020	Profoto Camera	Smartphone pro photographers
2020	D2 Industrial	Studio, Commercial accounts
2019	B10Plus	On location
2019	C1 / C1 plus and Profoto Camera	Smartphone pro photographers
2019	A1X	Natural light shooters
2018	B10	On location
2018	Profoto App	On location
2017	A1	Natural light shooters
2017	B1X	On location
2016	Pro-10	Studio, Commercial accounts
2016	D2	Studio, Commercial accounts
2015	B2	On location
2013	B1	On location
2009	D1	Studio

<sup>1</sup>) Includes both capitalized investments and direct costs for R&D.



**2019:** Expansion into smartphone applications for professional photographers

- Profoto's unique and propriety solutions to take flash images with a smartphone enables flash usage for professional photographers as well as for a larger audience.
- Launch of Profoto Camera smartphone application
- Sync of professional flashes through AirX rolled out during 2019–2020
- Launch of pocket lights C1 and C1 Plus in 2019
- Smart-TTL, a unique auto exposure function through AI launched in 2020
- ProfotoRAW, an image format optimized for flash to be launched in 2021

**2017:** Expansion into natural light photographers

- Introduction of A1, the first truly high-end on-camera flash provide studio light quality for photographers who are new to flash photography
- A1 was complemented with A1X and A10 in 2019 and 2020, respectively

**2016:** Expansion into commercial accounts driven by e-commerce

- Launch of Profoto D2 as a dependable flash for volume photography in e-commerce
- Introduction of Profoto D2 Industrial for customers with high demands in 2020

**2013:** Expansion into on-location

- Introduction of B1, an off-camera flash which is a compact, easy-to-use product with high quality for on location, for example wedding photographers
- B1 was followed by B2, B1X, B10, B10 Plus in 2015, 2017, 2018 and 2019

**1968:** Entry into studio

- Introduction of the first Profoto Studio light, a flash for the leading photographers
- Continuous updates over the years with latest version Pro-11 launched in 2021

On the back of previous success Profoto aims to continue its product development strategy and has a clear roadmap ahead for each product area in studio flashes, off-camera flashes and clic as well as for commercial applications. The plan aims to drive further growth in the market through accelerated product launches. One example is the ongoing expansion into the area of smartphone photography for professional photographers through the launch of several innovations, Profoto Camera, Smart-TTL, Profoto RAW and AirX, which together has the potential for professional photographers to benefit from a smooth end-to-end smartphone workflow, reducing the overall work/time required from idea to picture delivered to the client.

Profoto has continuously been used by the leading photographers globally since its foundation in 1968, successfully managed trends and technological shifts, won multiple design and technical

awards as well as having a proven track record of driving sales through innovation – all of which point towards Profoto's success in its product development and R&D.

#### **Patents and Intellectual Property Rights form a key part of product development**

IPR (Intellectual Property Rights) and patents form a key part of the product development and are used to secure the current and future business. Patents encompass all different aspects of the products showcasing the multitude of expertise in different fields required to provide the leading products in the lighting solutions market. A total of 27 patents in various categories such as flash technology (power electronics, power software), light shaping (mechanics, optics), connectivity and light control (software, radio technology), image processing (image technology software) and smartphone (connectivity, light control) are currently being held by Profoto. Eight of these are unique patents, i.e. some inventions have been registered in several jurisdictions. In total, Profoto filed more than ten patent applications in 2019 and in addition one patent was acquired in 2020. Recent patents have mainly been in the area of image technology and connectivity related to smartphone photography. Please refer to section "*Legal considerations and supplementary information – Intellectual property*" below for further information on Profoto's intellectual property rights.

#### **Production and supply chain**

##### **Outsourced business model**

A fundamental part of the Profoto strategy is to outsource all parts of the business that are not seen as core activities to subcontractors and instead focus the resources on where Profoto adds the most value, which is in product development / R&D and sales & marketing. Functions and services that are outsourced include production, warehousing, logistics, accounting, IT, services & repairs as well as non-core development within R&D. Outsourcing is mainly to low-cost countries which enables the Company to operate a more asset light business model and have an increased focus on cost control. In addition, by outsourcing, the Company increases its flexibility and gets access to expert knowledge in all of the outsourced areas. The outsourced business model is supported by an agile and adaptive workflow with continuous monitoring of the business and quarterly updated financial forecasts, all with the focus on securing operational efficiency.

This model has allowed the Company to be scalable and facilitated the strong growth in volumes and new products since 2013, as along with improved margins. An additional effect of the scalability and adaptability of the business model was that Profoto early on identified Covid-19 as well as managed to mitigate the impact from it through reduced volumes, organizational changes, reduced operational expenditures and improved efficiency. In order to operate in this model Profoto has established and developed a highly educated organization with a wide range of competences and capabilities across important fields, for example finance, purchasing, supply chain and quality.

##### **Supply chain provides the right products at the right cost**

Production of the Profoto light products is outsourced to two EMS-companies (Electronic Manufacturing Suppliers). Through a dual sourcing strategy, the Company aims to minimize supply chain risk and maintain a healthy competition within sourcing. This has been a source for continuous improvement in the cost level for the Company. Outsourced production is located in Poland, Russia<sup>1</sup>

1) Through agreement entered into with a Swedish limited liability company, which in turn has its own internal operations in Russia.

and Thailand. The EMS-companies is responsible for the sourcing of standard components while Profoto remains in charge for the customized components to ensure control and quality. Profoto controls the supplier agreement, product design and specification as well as the qualification of the products. The information is then shared with the EMS provider who in turn then sources the customized products for assembly in the factories.

Care is taken to involve the EMS-companies in the product development process to ensure better design for assembly of products, which will enable lower production cost. To ensure manufacturing efficiency, production yields are reviewed on a weekly basis to ensure efficient use of components, minimize scrap and catch any design flaws. Risk analysis in the supply chain is performed regularly resulting in for example a change of suppliers, relocation of production and implementation of initiatives at suppliers. During Covid-19 the Company has had close contacts with the EMS providers regularly to track any potential deviations and ensure supply of components by, for example, approval of replacement components, acquisition at spot prices and redesigns. Please refer to section "Legal considerations and supplementary information – Material agreements" below for information on Profoto's contractual arrangements with its suppliers.

#### **Full 3PL logistics provides the products at the right place and time**

Profoto has four full 3PL (third party logistics) warehouses across the world to service its customers. The warehouses are located in Sweden (Stockholm), US (New Jersey), China (Shanghai) and Japan (Tokyo). The main warehouse is located in Sweden and provides storage of all products, accessories and spare parts and handles incoming goods from all suppliers worldwide. Goods are then shipped to distribution markets, local warehouses (US, China, Japan), local markets with representation (France, UK, DACH) as well as direct to end customers through profoto.com. Warehouses in the US, China and Japan are set up to serve the local market with the aim to deliver to customers in under 48 hours. Certain light shaping products are shipped from China directly to local warehouses due to a larger volume and lower cost of the products shipped.

Overall lead time from suppliers to customers varies depending on if the production is carried out in Poland, Russia or in Thailand, if delivery is to EU or non-EU country and if the product requires final kitting (appropriate cords, manuals, etc. for respective markets) in the warehouse in Sweden before delivery. The ambition is to use the right balance of air and sea shipping to optimize agility, cost efficiency and environmental impact. Currently the majority, approximately 85 percent, of the shipping from suppliers to the main Profoto warehouse in Sweden is by air shipment due to low volume and weight to high price ratio of the products, while the remaining shipments are mainly by boat, for example batteries due to regulation. Freight terms are usually EXW<sup>1</sup> from suppliers to warehouses, FCA<sup>2</sup> from warehouses to dealers and DDP<sup>3</sup> in case of shipping directly to customers from profoto.com. Warehouses are set up as full 3PL and continuously monitored and evaluated against alternative suppliers to ensure lowest possible cost to service level.

#### **IT**

Profoto's IT business support development as well as maintenance support are outsourced to third party suppliers. This is in line with the Company's business model to outsource all functions not considered as core operations to subcontractors. Services are delivered according to the corresponding agreements entered into with the respective suppliers. Profoto has an IT policy and an information security policy in place that contributes to that the IT systems and information are handled as required and intended. As part of the preparation ahead of a potential listing process the Company decided to implement a completely new ERP system from IFS during 2018 at a significant cost. The ERP system is integrated to handle the majority of the IT functions including, invoicing, inventory management, supplier management, purchasing, document management, accounting and consolidation. In addition, a business intelligence system was implemented to facilitate an agile and adaptive business model with continuous control and follow-ups based on granular supporting data on a day-to-day basis.

#### **Employees**

During the period of 1 January 2020 to 31 December 2020, Profoto had 122 average employees and during the period of 1 January 2021 to 31 March 2021, the Company had 100 average employees. As per 31 March 2021, Profoto had 62 employees in Sweden, 17 employees in the United States, 9 employees in China, 6 employees in Japan and 6 employees in Europe. The table below illustrates the average number of employees between 31 December 2018 and 31 March 2021.

#### *Average number of employees*

	2018	2019	2020	Q1 2021
Men	81	89	76	62
Women	40	51	46	38
<b>Total</b>	<b>121</b>	<b>140</b>	<b>122</b>	<b>100</b>

#### **Sustainability**

Profoto's sustainability efforts go hand in hand with the overall business model. Strong values and a rewarding work environment pave the way for efficient delivery of quality products and services, and ultimately securing the strength of the brand. The Company has performed a materiality assessment and identified three focus areas critical to ensure a long-term sustainable business:

- **Competent and engaged co-workers:** As a knowledge-based company in a fast and evolving industry, Profoto needs to attract and retain co-workers with strong and relevant skills. In order to fulfill the focus area Profoto applies numerous initiatives such as using evidenced based recruitment process to ensure fairness, seeing diversity as a strategic value and striving for inclusion including zero tolerance for discrimination, actively working to maintain a good gender balance, a continuous monitoring of employee engagement and takes measures to counteract stress and safeguard a good working environment.

1) Incoterms Ex Works.

2) Incoterms Free Carrier.

3) Incoterms Delivered Duty Paid.

- Products that are the market's preferred choice: Being the market's preferred choice is essential for the longevity of the Company. In order to fulfill this focus area Profoto ensures close customer proximity to deliver usability and to stay ahead of trends, and has begun work with life cycle analysis on individual product groups, design for durability and easy repair to limit environmental impact, rigorous risk analysis and extensive testing to comply with comprehensive rules and regulations such as REACH<sup>1</sup>, RoHS<sup>2</sup> and CE markings, life cycle analysis of products to lower environmental impact by considering options for components.
- Transparent and clear supplier management: The ability to identify capable partners is critical to Profoto's success. In order to fulfill this focus area Profoto applies a Supplier Code of Conduct, an anti-bribery and anti-corruption policy as well as other guidelines and routines, together to ensure responsible sourcing and business conduct.

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1) EU regulation of Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

2) EU regulation of Restriction of Hazardous Substances Directive (RoHS).

# Selected financial information

The selected historical financial information presented below has been derived from the Company's audited revised historical consolidated financial statements for the financial years 2020, 2019 and 2018, respectively, and from the Company's reviewed interim report for the three-month period ending 31 March 2021, with figures for comparison for 2020. Profoto has prepared the financial statements for the financial years 2020, 2019 and 2018 in accordance with International Financial Reporting Standards (IFRS) as they have been adopted by the European Union, the Swedish Annual Accounts Act and RFR 1, Supplementary Accounting Rules for Groups. The interim report for the three-month period ending 31 March 2021 has been prepared in accordance with IAS 34 Interim Financial Reporting.

Certain figures presented in the Prospectus have been rounded off, which means that the tables in the Prospectus do not necessarily add up. All financial amounts are presented in Swedish kronor ("SEK"), unless otherwise indicated. Except as expressly indicated herein, no financial information in the Prospectus has been audited or reviewed by the Company's auditor.

The information in this section should be read together with the sections "Operating and financial review", "Capitalization, indebtedness and other financial information", as well as the Company's audited revised historical consolidated financial statements as per and for the three years ending 31 December 2020, 2019 and 2018 and the reviewed interim report as per and for the three-month period ending 31 March 2021 (with figures for comparison as per and for the corresponding period in 2020) which can be found in the section "Historical financial information".

## Consolidated income statement

SEKm	Full year			January–March	
	2020 Audited IFRS	2019 Audited IFRS	2018 Audited IFRS	2021 Unaudited IAS 34	2020 Unaudited IAS 34
Net sales	528.4	832.8	679.1	153.0	148.3
Other operating income	2.6	7.0	10.0	3.3	6.2
<b>Total revenue</b>	<b>531.0</b>	<b>839.9</b>	<b>689.1</b>	<b>156.3</b>	<b>154.5</b>
Capitalized work for own account	21.3	24.0	69.4	4.3	6.0
Goods	-227.7	-253.5	-223.9	-44.8	-45.4
Other external expenses	-125.6	-186.7	-198.8	-33.7	-44.1
Personnel expenses	-120.3	-156.9	-126.2	-29.0	-41.2
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	-87.8	-42.0	-23.8	-14.4	-16.0
Other operating expenses	-2.9	-2.6	-3.0	0.9	-0.9
<b>Operating profit/loss (EBIT)</b>	<b>-11.9</b>	<b>222.1</b>	<b>182.8</b>	<b>39.7</b>	<b>12.9</b>
<b>Finance income and costs</b>					
Finance income	0.2	1.8	0.6	2.6	1.6
Finance costs	-8.3	-3.5	-3.9	0.0	-0.4
<b>Profit/loss before tax</b>	<b>-19.9</b>	<b>220.4</b>	<b>179.5</b>	<b>42.2</b>	<b>14.1</b>
Tax	2.5	-43.2	-31.0	-11.2	-3.7
<b>Profit/loss for the year/period</b>	<b>-17.4</b>	<b>177.2</b>	<b>148.5</b>	<b>31.1</b>	<b>10.5</b>
Attributable to:					
Owners of the Parent Company	-17.4	177.2	148.5	31.1	10.5

## Consolidated statement of comprehensive income

SEKm	Full year			January–March	
	2020 Audited IFRS	2019 Audited IFRS	2018 Audited IFRS	2021 Unaudited IAS 34	2020 Unaudited IAS 34
Profit/loss for the year/period	-17.4	177.2	148.5	31.1	10.5
<b>Other comprehensive income, items that may be reclassified to the consolidated statement of profit and loss:</b>					
Translation differences for the year/period	4.1	-4.4	0.7	-2.5	-4.1
<b>Total comprehensive income for the year/period</b>	<b>-13.3</b>	<b>172.8</b>	<b>149.2</b>	<b>28.6</b>	<b>6.4</b>
Attributable to:					
Owners of the Parent Company	-13.3	172.8	149.2	28.6	6.4

## Consolidated balance sheet

SEKm	31 December			31 March	
	2020 Audited IFRS	2019 Audited IFRS	2018 Audited IFRS	2021 Unaudited IAS 34	2020 Unaudited IAS 34
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>Intangible assets</b>					
Capitalized development expenditure	98.2	125.4	118.8	94.5	123.2
Software	18.9	25.2	27.0	18.4	23.7
Licenses	1.3	1.5	1.9	1.1	1.3
<b>Total intangible assets</b>	<b>118.4</b>	<b>152.1</b>	<b>147.7</b>	<b>114.0</b>	<b>148.2</b>
<b>Property, plant and equipment</b>					
Leased assets	54.4	62.8	0.0	54.4	60.6
Equipment, tools and installations	27.4	40.8	34.7	25.5	40.2
Leasehold improvements	4.1	5.9	4.5	3.7	5.5
<b>Total property, plant and equipment</b>	<b>85.9</b>	<b>109.6</b>	<b>39.2</b>	<b>83.7</b>	<b>106.3</b>
<b>Financial assets</b>	<b>1.9</b>	<b>1.9</b>	<b>1.2</b>	<b>1.9</b>	<b>3.3</b>
<b>Deferred tax assets</b>	<b>15.9</b>	<b>14.1</b>	<b>11.2</b>	<b>18.7</b>	<b>15.4</b>
<b>Total non-current assets</b>	<b>221.0</b>	<b>277.6</b>	<b>199.3</b>	<b>218.2</b>	<b>273.2</b>
<b>Current assets</b>					
<b>Inventories</b>	<b>93.8</b>	<b>171.9</b>	<b>89.5</b>	<b>95.4</b>	<b>152.5</b>
<b>Current receivables</b>					
Accounts receivables	67.0	95.0	96.8	71.4	55.2
Current tax assets	5.2	4.0	20.6	0.0	9.7
Current receivables from Group companies	19.6	86.6	0.0	102.1	91.1
Other current assets	3.1	6.0	18.3	1.6	0.9
Prepayments and accrued income	8.1	5.6	4.3	6.4	6.5
<b>Total current receivables</b>	<b>103.0</b>	<b>197.2</b>	<b>140.0</b>	<b>181.5</b>	<b>163.4</b>
<b>Cash and cash equivalents</b>	<b>254.5</b>	<b>51.5</b>	<b>45.4</b>	<b>214.5</b>	<b>81.4</b>
<b>Total current assets</b>	<b>451.4</b>	<b>420.6</b>	<b>274.8</b>	<b>491.4</b>	<b>397.3</b>
<b>TOTAL ASSETS</b>	<b>673.4</b>	<b>698.3</b>	<b>474.2</b>	<b>709.7</b>	<b>670.5</b>



## Cont. Consolidated balance sheet

SEKm	31 December			31 March	
	2020 Audited IFRS	2019 Audited IFRS	2018 Audited IFRS	2021 Unaudited IAS 34	2020 Unaudited IAS 34
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	0.1	0.1	0.1	0.1	0.1
Reserves	3.6	-5.3	-0.9	1.1	-10.8
Retained earnings including profit/loss for the year/period	329.9	352.2	200.9	361.0	364.0
<b>Total equity</b>	<b>333.6</b>	<b>346.9</b>	<b>200.1</b>	<b>362.2</b>	<b>353.3</b>
<b>Non-current liabilities</b>					
Liabilities to credit institutions	8.0	0.2	0.2	8.0	0.2
Lease liabilities	46.7	54.6	0.0	45.4	53.9
Provisions	5.0	8.0	5.3	8.2	9.2
Deferred tax liabilities	52.2	66.7	61.7	52.0	67.4
<b>Total non-current liabilities</b>	<b>111.9</b>	<b>129.4</b>	<b>67.2</b>	<b>113.6</b>	<b>130.7</b>
<b>Current liabilities</b>					
Liabilities to credit institutions	36.3	19.8	0.6	45.4	25.4
Lease liabilities	9.4	9.0	0.0	10.6	9.1
Provisions	7.5	7.1	7.8	3.9	5.9
Accounts payables	44.6	58.0	66.5	33.4	28.9
Current liabilities to Group companies	82.8	77.1	93.1	82.8	76.7
Current tax liabilities	0.0	0.4	0.0	2.2	0.0
Other current liabilities	6.1	7.4	8.2	5.5	3.1
Accrued expenses and deferred income	41.3	43.0	30.7	50.1	37.5
<b>Total current liabilities</b>	<b>227.9</b>	<b>221.9</b>	<b>206.9</b>	<b>233.9</b>	<b>186.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>673.4</b>	<b>698.3</b>	<b>474.2</b>	<b>709.7</b>	<b>670.5</b>

## Consolidated statement of cash flows

SEKm	Full year			January–March	
	2020 Audited IFRS	2019 Audited IFRS	2018 Audited IFRS	2021 Audited IFRS	2020 Unaudited IAS 34
<b>Cash flow from operating activities</b>					
Operating profit/loss (EBIT)	-11.9	222.1	182.8	39.7	12.9
Adjustments for non-cash items:					
Depreciation/amortization	87.8	42.0	18.7	14.4	16.0
Adjustments for other non-cash items	45.7	1.1	15.1	0.7	0.0
Interest received	0.1	0.3	0.1	0.0	0.0
Interest paid	-3.3	-0.9	-1.3	-0.7	-0.9
Income tax paid	-10.1	-23.9	-31.1	-6.5	-10.3
<b>Cash flow from operating activities before changes in working capital</b>	<b>108.3</b>	<b>240.8</b>	<b>184.5</b>	<b>47.5</b>	<b>17.8</b>
<b>Changes in working capital</b>					
Decrease (+) / increase (-) in inventories	44.1	-75.6	-16.9	-0.7	17.4
Decrease (+) / increase (-) in accounts receivables	28.5	6.6	-11.5	-5.5	39.4
Decrease (+) / increase (-) in other receivables	0.3	4.8	-10.8	3.8	4.1
Decrease (-) / increase (+) in accounts payables	-12.4	-13.2	-2.9	-11.0	-30.1
Decrease (-) / increase (+) in other current liabilities	-15.5	7.3	6.1	8.1	-10.0
<b>Cash flow from operating activities</b>	<b>153.3</b>	<b>170.8</b>	<b>148.5</b>	<b>42.3</b>	<b>38.6</b>
<b>Investing activities</b>					
Investments in intangible assets	-21.6	-27.7	-70.4	-4.3	-5.2
Acquisition of property, plant and equipment	-7.4	-16.7	-13.5	-0.8	-2.1
Given intra-group loans	0.0	-88.6	-0.6	-83.0	-3.5
Repaid intra-group loans	67.1	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>38.1</b>	<b>-133.1</b>	<b>-84.6</b>	<b>-88.1</b>	<b>-10.8</b>
<b>Financing activities</b>					
Repayment of loans to group companies	0.0	-16.0	-40.9	0.0	0.0
Repayment of external loans	-11.7	0.0	-3.7	-0.2	-1.9
Amortization of leasing liability	-7.8	-7.6	0.0	-2.7	-1.9
New loans	35.8	17.5	0.0	12.0	10.3
Paid dividends and Group contributions	0.0	-25.7	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>16.3</b>	<b>-31.8</b>	<b>-44.5</b>	<b>9.1</b>	<b>6.5</b>
Cash flow for the year/period	207.7	6.0	19.4	-36.7	34.3
Cash and cash equivalents at beginning of year/period	51.5	45.4	25.9	254.5	51.5
Translation differences in cash	-4.7	0.1	0.1	-3.2	-4.5
<b>Cash and cash equivalents at end of year/period</b>	<b>254.5</b>	<b>51.5</b>	<b>45.4</b>	<b>214.5</b>	<b>81.3</b>

**Key performance measures for the Group**

The Company applies the European Securities and Markets Authority's (ESMA) guidelines on alternative performance measures regarding this Prospectus. The guidelines aim to make alternative performance measures in financial statements more comprehensible, reliable and comparable, and thereby promote their usability. According to these guidelines, an alternative performance measure (APM) is a financial measure of historic or projected earnings development, financial position, financial performance or cash flows that is neither defined nor specified in the applicable rules for financial reporting: the IFRS and the Swedish Annual Accounts Act.

Profoto assesses that the below alternative performance measures, together with measurements defined in accordance with IFRS, facilitates the understanding of the Group's financial trends. Furthermore, the alternative performance measures are widely

used by Profoto's management team, investors, securities analysts and other stakeholders as supplementary measures for earnings development. The alternative performance measures, as defined by Profoto, should not be compared with other key ratios with similar names that are used by other companies. This is because above mentioned key ratios have not always been defined in the same way and because other companies may not calculate them in the same way as Profoto. Refer to "Definitions of alternative performance measures not defined in accordance with IFRS" for definitions and description of the reason for the use of financial alternative performance measures. Unless otherwise stated, the information and calculations relating to such financial alternative performance measures derive from the Company's internal accounts and have neither been audited nor reviewed by the Company's auditor.

**IFRS key performance measures**

SEKm	Full year			January–March	
	2020 Audited	2019 Audited	2018 Audited	2021 Unaudited	2020 Unaudited
Net sales	528.4	832.8	679.1	153.0	148.3
EBIT	-11.9	222.1	182.8	39.7	12.9
Net profit for the period	-17.4	177.2	148.5	31.1	10.5
Cash flow from operating activities	153.3	170.8	148.5	42.3	38.6

**Alternative performance measures not defined in accordance with IFRS**

	Full year			January–March	
	2020	2019	2018	2021	2020
Net sales growth adjusted for currency effect, %	-35.0	14.5	0.2	13.2	-32.9
Gross profit, SEKm	300.7	579.3	455.2	108.2	103.0
Gross margin, %	56.9	69.6	67.0	70.7	69.4
EBITDA, SEKm	75.9	264.1	206.6	54.1	28.9
EBITDA margin, %	14.4	31.7	30.4	35.3	19.5
EBIT margin, %	-2.2	26.7	26.9	25.9	8.7
Adjusted gross profit, SEKm	348.4	579.4	455.2	108.2	103.0
Adjusted gross margin, %	65.9	69.6	67.0	70.7	69.4
Adjusted EBITDA, SEKm	116.3	264.1	206.6	62.0	28.9
Adjusted EBITDA margin, %	22.0	31.7	30.4	40.5	19.5
Adjusted EBIT, SEKm	55.9	222.1	182.8	47.6	13.7
Adjusted EBIT, %	10.6	26.7	26.9	31.1	9.3
Items affecting comparability, SEKm	67.8	0.0	0.0	7.9	0.8
EBIT growth adjusted for currency effect, %	–	–	–	292.6	–
Net debt	-90.9	22.6	48.5	-124.4	-7.2
Net debt/adjusted EBITDA rolling 12 months, SEKm	-0.8	0.1	0.2	-0.8	0.0
Capital employed, SEKm	516.7	507.6	294.0	554.3	518.5
Average capital employed, SEKm	512.2	400.8	240.6	536.4	391.3
Adjusted return on capital employed (ROCE), %	10.9	55.4	76.0	16.7	43.7

## Definitions of alternative performance measures not defined in accordance with IFRS

	Definition	Reason for use
<b>Net sales growth adjusted for currency effect, %</b>	Change in net sales growth for the period, recalculated at the preceding period's transaction based daily average exchange rate.	Shows whether the Company's business is expanding or contracting, excluding exchange rate effect.
<b>Gross profit, SEKm</b>	Net sales for the period minus goods.	Shows the profitability and the financial performance of the Company's business.
<b>Gross margin, %</b>	Gross profit as a percentage of net sales.	The measure is an indicator of the Company's gross earnings ability.
<b>EBITDA, SEKm</b>	EBITDA (earnings before finance income and costs, taxes, depreciation and amortization) is the operating profit plus depreciation, impairment and amortization.	Shows the ability of the Company's operations to generate resources for investment and payment to capital providers.
<b>EBITDA margin, %</b>	EBITDA (earnings before finance income and costs, taxes, depreciation and amortization) as a percentage of net sales.	A profitability measurement that is used by investors, analysts and the Company's management for evaluating the Company's profitability.
<b>EBIT margin, %</b>	EBIT (earnings before interest and taxes) as a percentage of net sales.	Shows operating profit in relation to net sales and is a measurement of the profitability in the Company's operational business.
<b>Adjusted gross profit, SEKm</b>	Gross profit adjusted for items affecting comparability.	Gross profit before items affecting comparability.
<b>Adjusted gross margin, %</b>	Adjusted gross profit as a percentage of net sales.	The measure is an indicator of the Company's gross earnings ability before items affecting comparability (such as one-time write-downs).
<b>Adjusted EBITDA, SEKm</b>	EBITDA (earnings before finance income and costs, taxes, depreciation and amortization) adjusted for items affecting comparability.	Shows EBITDA excluding items that affect comparison with other periods.
<b>Adjusted EBITDA margin, %</b>	EBITDA (earnings before finance income and costs, taxes, depreciation and amortization) adjusted for items affecting comparability as a percentage of net sales.	A profitability measurement that is used by investors, analysts and the Company's management for evaluating the Company's profitability.
<b>Adjusted EBIT, SEKm</b>	EBIT (earnings before interest and taxes) excluding items affecting comparability, such as write-downs of intangible, tangible and inventory related assets.	Shows results of the Company's operational business excluding items affecting comparability.
<b>Adjusted EBIT margin, %</b>	EBIT (earnings before interest and taxes) excluding items affecting comparability, as a percentage of net sales.	Shows adjusted operating profit in relation to net sales and is a measurement of the profitability in the Company's operational business excluding items affecting comparability.



## Cont. Definitions of alternative performance measures not defined in accordance with IFRS

	Definition	Reason for use
<b>Items affecting comparability, SEKm</b>	Significant items affecting comparability, including write-downs of consignment stock, write-downs of finished goods, write-downs of tangible assets, write-downs of capitalized development costs, IPO related costs and government grants.	Items affecting comparability refers to items that are reported separately as they are of a significant nature and are relevant for understanding the financial performance when comparing the profit/loss for the current period with the previous periods. Examples of such items are write-downs of finished goods and government grants.
<b>EBIT growth adjusted for currency effect, %</b>	Change in EBIT growth (earnings before interest and taxes), recalculated at the preceding period's transaction based daily average exchange rate.	Shows the result in the Company's operational business excluding exchange rate effects.
<b>Net debt, SEKm</b>	Interest bearing liabilities, minus current liabilities to Group companies and cash and cash equivalents.	Shows how much cash would remain if all debts were paid off.
<b>Net debt/adjusted EBITDA rolling 12 months, SEKm</b>	Net debt in relation to adjusted EBITDA (earnings before finance income and costs, taxes, depreciation and amortization) adjusted for items affecting comparability last rolling 12 months.	Shows financial risk and is an indication of repayment capacity.
<b>Capital employed, SEKm</b>	Total assets minus non-interest bearing liabilities.	Shows how much capital that has been spent for investments.
<b>Average capital employed, SEKm</b>	Capital employed for the period summed up with capital employed in the previous corresponding period divided by two.	Shows how much average capital that has been spent for investments.
<b>Adjusted return on capital employed (ROCE), %</b>	EBIT (earnings before interest and taxes) excluding items affecting comparability last rolling 12 months as percentage of average capital employed over the period.	Shows the Company's profitability in relation to capital invested.

## Reconciliation tables of alternative performance measures not defined in accordance with IFRS

	Full year			January–March	
	2020	2019	2018	2021	2020
<b>Net sales growth adjusted for currency effect</b>					
Net sales growth	-36.6	22.6	5.1	3.1	-30.3
Currency effect	1.6	-8.1	-4.9	10.1	-2.6
<b>Net sales growth adjusted for currency effect, %</b>	<b>-35.0</b>	<b>14.5</b>	<b>0.2</b>	<b>13.2</b>	<b>-32.9</b>
<b>Gross profit</b>					
Net sales	528.4	832.8	679.1	153.0	148.3
Goods	-227.7	-253.5	-223.9	-44.8	-45.4
<b>Gross profit, SEKm</b>	<b>300.7</b>	<b>579.4</b>	<b>455.2</b>	<b>108.2</b>	<b>103.0</b>
<b>Gross margin, %</b>	<b>56.9</b>	<b>69.6</b>	<b>67.0</b>	<b>70.7</b>	<b>69.4</b>
<b>EBITDA</b>					
EBIT	-11.9	222.1	182.8	39.7	12.9
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	87.8	42.0	23.8	-14.4	-16.0
<b>EBITDA, SEKm</b>	<b>75.9</b>	<b>264.1</b>	<b>206.6</b>	<b>54.1</b>	<b>28.9</b>
<b>EBIDTA margin</b>					
EBITDA	75.9	264.1	206.6	54.1	28.9
Net sales	528.4	832.8	679.1	153.0	148.3
<b>EBIDTA margin, %</b>	<b>14.4</b>	<b>31.7</b>	<b>30.4</b>	<b>35.3</b>	<b>19.5</b>
<b>EBIT margin</b>					
EBIT	-11.9	222.1	182.8	39.7	12.9
Net sales	528.4	832.8	679.1	153.0	148.3
<b>EBIT margin, %</b>	<b>-2.2</b>	<b>26.7</b>	<b>26.9</b>	<b>25.9</b>	<b>8.7</b>
<b>Adjusted gross profit</b>					
Net sales	528.4	832.8	679.1	153.0	148.3
Goods	-227.7	-253.5	-223.9	-44.8	45.4
Less items affecting comparability:					
Write-downs of consignment stock	41.9	0.0	0.0	0.0	0.0
Write-downs of finished goods	5.8	0.0	0.0	0.0	0.0
<b>Adjusted gross profit, SEKm</b>	<b>348.4</b>	<b>579.4</b>	<b>455.2</b>	<b>108.2</b>	<b>103.0</b>
<b>Adjusted gross margin, %</b>	<b>65.9</b>	<b>69.6</b>	<b>67.0</b>	<b>70.7</b>	<b>69.4</b>
<b>Adjusted EBITDA</b>					
EBITDA	75.9	264.1	206.6	54.1	28.9
Less items affecting comparability:					
Write-downs of consignment stock	41.9	0.0	0.0	0.0	0.0
Write-downs of finished goods	5.8	0.0	0.0	0.0	0.0
IPO related costs	0.0	0.0	0.0	7.9	0.0
Government grants	-7.3	0.0	0.0	0.0	0.0
<b>Adjusted EBITDA, SEKm</b>	<b>116.3</b>	<b>264.1</b>	<b>206.6</b>	<b>62.0</b>	<b>28.9</b>
<b>Adjusted EBITDA margin, %</b>	<b>22.0</b>	<b>31.7</b>	<b>30.4</b>	<b>40.5</b>	<b>19.5</b>

## Cont. Reconciliation tables of alternative performance measures not defined in accordance with IFRS

	Full year			January-March	
	2020	2019	2018	2021	2020
<b>Adjusted EBIT</b>					
EBIT	-11.9	222.1	182.8	39.7	12.9
Less items affecting comparability:					
Write-downs of consignment stock	41.9	0.0	0.0	0.0	0.0
Write-downs of finished goods	5.8	0.0	0.0	0.0	0.0
Write-downs of tangible assets	8.9	0.0	0.0	0.0	0.0
Write-downs of capitalized development costs	18.4	0.0	0.0	0.0	0.8
IPO related costs	0.0	0.0	0.0	7.9	0.0
Government grants	-7.3	0.0	0.0	0.0	0.0
<b>Adjusted EBIT, SEKm</b>	<b>55.9</b>	<b>222.1</b>	<b>182.8</b>	<b>47.6</b>	<b>13.7</b>
<b>Adjusted EBIT margin, %</b>	<b>10.6</b>	<b>26.7</b>	<b>26.9</b>	<b>31.1</b>	<b>9.3</b>
<b>Items affecting comparability</b>					
Write-downs of consignment stock	41.9	0.0	0.0	0.0	0.0
Write-downs of finished goods	5.8	0.0	0.0	0.0	0.0
Write-downs of tangible assets	8.9	0.0	0.0	0.0	0.0
Write-downs of capitalized development costs	18.4	0.0	0.0	0.0	0.8
IPO related costs	0.0	0.0	0.0	7.9	0.0
Government grants	-7.3	0.0	0.0	0.0	0.0
<b>Items affecting comparability, SEKm</b>	<b>67.8</b>	<b>0.0</b>	<b>0.0</b>	<b>7.9</b>	<b>0.8</b>
<b>EBIT growth adjusted for currency effect</b>					
EBIT growth	-	-	-	207.1	-
Currency effect	-	-	-	85.5	-
<b>EBIT growth adjusted for currency effect, %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>292.6</b>	<b>-</b>
<b>Net debt</b>					
Liabilities to credit institutions, long term	8.0	0.2	0.2	8.0	0.2
Lease liabilities, long term	46.7	54.6	0.0	45.4	53.9
Liabilities to credit institutions, short term	36.3	19.8	0.6	45.4	25.5
Lease liabilities, short term	9.4	9.0	0.0	10.6	9.1
Current liabilities to Group companies	82.8	77.1	93.1	82.8	76.6
Current receivables from Group companies	-19.6	-86.6	0.0	-102.1	-91.1
Cash and cash equivalents	-254.5	-51.5	-45.4	-214.5	-81.4
<b>Net debt, SEKm</b>	<b>-90.9</b>	<b>22.6</b>	<b>48.5</b>	<b>-124.4</b>	<b>-7.2</b>
<b>Net debt/adjusted EBITDA rolling 12 months</b>					
Net debt	-90.9	22.6	48.5	-124.4	-7.2
Adjusted EBITDA (last rolling 12 months)	116.3	264.1	206.6	149.4	219.2
<b>Net debt/adjusted EBITDA rolling 12 months, SEKm</b>	<b>-0.8</b>	<b>0.1</b>	<b>0.2</b>	<b>-0.8</b>	<b>0.0</b>

**Cont. Reconciliation tables of alternative performance measures not defined in accordance with IFRS**

	Full year			January-March	
	2020	2019	2018	2021	2020
<b>Adjusted ROCE</b>					
Capital employed (total assets – non-interest bearing liabilities)	516.9	507.6	294.0	554.3	518.5
Total assets	673.4	698.3	474.2	709.7	670.5
Provisions	-12.5	-15.1	-13.1	-12.1	-15.1
Deferred tax liabilities	-52.2	-66.7	-61.7	-52.0	-67.4
Accounts payable	-44.6	-58.0	-66.5	-33.4	-28.9
Current tax liabilities	0.0	-0.4	0.0	-2.2	0.0
Other current liabilities	-6.1	-7.4	-8.2	-5.5	-3.1
Accrued expenses and deferred income	-41.3	-43.0	-30.7	-50.1	-37.5
Average capital employed (Capital employed for the period summed up with capital employed in the previous corresponding period divided by two)	512.2	400.8	240.6	536.4	391.3
Adjusted EBIT (last rolling 12 months)	55.9	222.1	182.8	89.8	170.9
<b>Adjusted ROCE, %</b>	<b>10.9</b>	<b>55.4</b>	<b>76.0</b>	<b>16.7</b>	<b>43.7</b>

**Quarterly financial information**

The board of directors of Profoto believes that the information provided below is of material importance to investors in analyzing the Company's historical financial performance. Unless otherwise stated, the information and calculations below derive from the

Company's internal accounts and have neither been audited nor reviewed by the Company's auditor. For definitions and description of the reason for the use of financial alternative performance measures, see "Definitions of alternative performance measures not defined in accordance with IFRS" above.

SEKm	2020				2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	173.4	125.9	80.7	148.3	217.4	160.8	241.8	212.8	218.8	128.9	152.3	179.1
Other operating income	-2.0	2.7	-4.2	6.2	-2.7	3.5	2.8	3.5	0.0	-0.1	3.9	6.2
<b>Total revenue</b>	<b>171.5</b>	<b>128.6</b>	<b>76.5</b>	<b>154.5</b>	<b>214.7</b>	<b>164.2</b>	<b>244.6</b>	<b>216.3</b>	<b>218.8</b>	<b>128.8</b>	<b>156.2</b>	<b>185.3</b>
Activation of development expenses	6.4	3.5	5.4	6.0	4.7	3.5	7.4	8.4	10.8	14.4	22.9	21.2
Goods	-57.3	-88.6	-36.4	-45.4	-68.2	-50.8	-62.8	-71.8	-77.8	-41.5	-49.2	-55.4
Other external expenses	-27.9	-24.0	-29.6	-44.1	-51.0	-46.2	-44.9	-44.7	-55.6	-42.8	-53.5	-46.8
Personnel expenses	-29.5	-23.9	-25.7	-41.2	-45.5	-37.4	-39.7	-34.4	-32.4	-29.7	-33.1	-31.1
Depreciation and write-downs	-15.5	-41.3	-14.9	-16.0	-12.6	-11.3	-9.3	-8.9	-8.6	-4.9	-5.1	-5.1
Other operating expenses	-1.5	-2.2	1.7	-0.9	-2.8	2.2	-2.0	0.0	0.4	0.3	-2.5	-1.2
<b>EBIT</b>	<b>46.2</b>	<b>-47.9</b>	<b>-23.1</b>	<b>12.9</b>	<b>39.4</b>	<b>24.4</b>	<b>93.3</b>	<b>64.9</b>	<b>55.7</b>	<b>24.6</b>	<b>35.6</b>	<b>66.9</b>



**Reconciliation tables of alternative performance measures not defined in accordance with IFRS**

	2021	2020				2019				2018			
SEKm	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	153.0	173.4	125.9	80.7	148.3	217.4	160.8	241.8	212.8	218.8	128.9	152.3	179.1
Goods	-44.8	-57.3	-88.6	-36.4	-45.4	-68.2	-50.8	-62.8	-71.8	-77.8	-41.5	-49.2	-55.4
<b>Gross profit, SEKm</b>	<b>108.2</b>	<b>116.1</b>	<b>37.3</b>	<b>44.3</b>	<b>103.0</b>	<b>149.3</b>	<b>110.0</b>	<b>179.0</b>	<b>141.1</b>	<b>141.0</b>	<b>87.4</b>	<b>103.1</b>	<b>123.7</b>
<b>Gross margin, %</b>	<b>70.7</b>	<b>66.9</b>	<b>29.7</b>	<b>54.9</b>	<b>69.4</b>	<b>68.6</b>	<b>68.4</b>	<b>74.0</b>	<b>66.3</b>	<b>64.5</b>	<b>67.8</b>	<b>67.7</b>	<b>69.1</b>
<b>EBIDTA</b>													
EBIT	39.7	46.2	-47.9	-23.1	12.9	39.4	24.4	93.3	64.9	55.7	24.6	35.6	66.9
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	-14.4	-15.5	-41.3	-14.9	-16.0	-12.6	-11.3	-9.3	-8.9	-8.6	-4.9	-5.1	-5.1
<b>EBITDA, SEKm</b>	<b>54.1</b>	<b>61.7</b>	<b>-6.6</b>	<b>-8.2</b>	<b>28.9</b>	<b>52.0</b>	<b>35.7</b>	<b>102.6</b>	<b>73.8</b>	<b>64.4</b>	<b>29.5</b>	<b>40.7</b>	<b>72.0</b>
<b>EBIDTA margin, %</b>	<b>35.3</b>	<b>35.6</b>	<b>-5.2</b>	<b>-10.1</b>	<b>19.5</b>	<b>23.9</b>	<b>22.2</b>	<b>42.4</b>	<b>34.7</b>	<b>29.4</b>	<b>22.9</b>	<b>26.7</b>	<b>40.2</b>
<b>EBIT margin</b>													
EBIT	39.7	46.2	-47.9	-23.1	12.9	39.4	24.4	93.3	64.9	55.7	24.6	35.6	66.9
Net sales	153.0	173.4	125.9	80.7	148.3	217.4	160.8	241.8	212.8	218.8	128.9	152.3	179.1
<b>EBIT margin, %</b>	<b>25.9</b>	<b>26.6</b>	<b>-38.0</b>	<b>-28.6</b>	<b>8.7</b>	<b>18.1</b>	<b>15.2</b>	<b>38.6</b>	<b>30.5</b>	<b>25.5</b>	<b>19.1</b>	<b>23.4</b>	<b>37.4</b>
<b>Adjusted gross profit</b>													
Net sales	153.0	173.4	125.9	80.7	148.3	217.4	160.8	241.8	212.8	218.8	128.9	152.3	179.1
Goods	-44.8	-57.3	-88.6	-36.4	-45.4	-68.2	-50.8	-62.8	-71.8	-77.8	-41.5	-49.2	-55.4
Less items affecting comparability:													
Write-downs of consignment stock	0.0	0.0	41.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-downs of finished goods	0.0	0.0	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted gross profit, SEKm</b>	<b>108.2</b>	<b>116.1</b>	<b>85.0</b>	<b>44.3</b>	<b>103.0</b>	<b>149.3</b>	<b>110.0</b>	<b>179.0</b>	<b>141.1</b>	<b>141.0</b>	<b>87.4</b>	<b>103.1</b>	<b>123.7</b>
<b>Adjusted gross margin, %</b>	<b>70.7</b>	<b>66.9</b>	<b>67.5</b>	<b>54.9</b>	<b>69.4</b>	<b>68.6</b>	<b>68.4</b>	<b>74.0</b>	<b>66.3</b>	<b>64.5</b>	<b>67.8</b>	<b>67.7</b>	<b>69.1</b>
<b>Adjusted EBITDA</b>													
EBITDA	54.1	61.7	-6.6	-8.2	28.9	52.0	35.7	102.6	73.8	64.4	29.5	40.7	72.0
Less items affecting comparability:													
Write-downs of consignment stock	0.0	0.0	41.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-downs of finished goods	0.0	0.0	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IPO related costs	7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government grants	0.0	1.8	-2.7	-6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted EBITDA, SEKm</b>	<b>62.0</b>	<b>63.5</b>	<b>38.5</b>	<b>-14.6</b>	<b>28.9</b>	<b>52.0</b>	<b>35.7</b>	<b>102.6</b>	<b>73.8</b>	<b>64.4</b>	<b>29.5</b>	<b>40.7</b>	<b>72.0</b>
<b>Adjusted EBITDA, %</b>	<b>40.5</b>	<b>36.6</b>	<b>30.6</b>	<b>-18.1</b>	<b>19.5</b>	<b>23.9</b>	<b>22.2</b>	<b>42.4</b>	<b>34.7</b>	<b>29.4</b>	<b>22.9</b>	<b>26.7</b>	<b>40.2</b>

## Cont. Reconciliation tables of alternative performance measures not defined in accordance with IFRS

SEKm	2021	2020				2019				2018			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Adjusted EBIT</b>													
EBIT	39.7	46.2	-47.9	-23.1	12.9	39.4	24.4	93.3	64.9	55.7	24.6	35.6	66.9
Less items affecting comparability:													
Write-downs of consignment stock	0.0	0.0	41.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-downs of finished goods	0.0	0.0	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-downs of tangible assets	0.0	0.0	8.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-downs of capitalized development costs	0.0	0.0	17.6	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IPO related costs	7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government grants	0.0	1.8	-2.7	-6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted EBIT, SEKm</b>	<b>47.6</b>	<b>48.0</b>	<b>23.7</b>	<b>-29.6</b>	<b>13.7</b>	<b>39.4</b>	<b>24.4</b>	<b>93.3</b>	<b>64.9</b>	<b>55.7</b>	<b>24.6</b>	<b>35.6</b>	<b>66.9</b>
<b>Adjusted EBIT margin, %</b>	<b>31.1</b>	<b>27.7</b>	<b>18.9</b>	<b>-36.6</b>	<b>9.3</b>	<b>18.1</b>	<b>15.2</b>	<b>38.6</b>	<b>30.5</b>	<b>25.5</b>	<b>19.1</b>	<b>23.4</b>	<b>37.4</b>

### Net sales by region

Quarterly net sales development by region

	2021	2020				2019				2018			
SEKm	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Americas <sup>1</sup>	51	66	42	20	60	94	70	111	90	90	50	66	65
APAC <sup>2</sup>	48	44	36	34	27	45	40	46	35	50	32	31	41
EMEA <sup>3</sup>	53	63	48	27	61	78	51	85	88	79	47	55	73
<b>Total net sales</b>	<b>153</b>	<b>173</b>	<b>126</b>	<b>81</b>	<b>148</b>	<b>217</b>	<b>161</b>	<b>242</b>	<b>213</b>	<b>219</b>	<b>129</b>	<b>152</b>	<b>179</b>

Share of total net sales

	2021	2020				2019				2018			
%	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Americas, %	33	38	33	25	41	43	43	46	42	41	39	43	36
APAC, %	31	25	29	42	18	21	25	19	16	23	25	20	23
EMEA, %	35	36	38	33	41	36	32	35	41	36	36	36	41

1) Central America, North America and South America.

2) Oceania and Asia except Russia, Turkey and the Middle East.

3) Europe, the Middle East and Africa.

# Operating and financial review

The information presented below should be read in conjunction with section “Selected financial information” and the Company’s audited revised historical consolidated financial statements for the financial years 2020, 2019 and 2018 and the reviewed interim report for the three-month period ending 31 March 2021, with figures for comparison for 2020, included in the section “Historical financial information”. Profoto has prepared the statements in accordance with International Financial Reporting Standards (IFRS) as they have been adopted by the European Union, the Swedish Annual Accounts Act and RFR 1, Supplementary Accounting Rules for Groups. The Company’s reviewed interim report for the three-month period ending 31 March 2021, with figures for comparison for 2020, has been prepared in accordance with IAS 34 Interim Financial Reporting. Certain figures presented in the Prospectus have been rounded off, which means that the tables in the Prospectus do not necessarily add up. All financial amounts are presented in Swedish kronor (“SEK”), unless otherwise indicated.

Some of the information below has been derived from the Company’s internal accounts and has neither been audited nor reviewed by the Company’s auditor. For further information, please refer to the section “Selected financial information – Definitions of alternative performance measures not defined in accordance with IFRS”.

The information below contains forward-looking statements that are subject to various risks and uncertainties. The Company’s actual results may differ materially from those anticipated in these forward-looking statements as a result of many different factors, including, but not limited to, those described in this Prospectus, including those in section “Risk factors” and elsewhere in this Prospectus.

## Overview

Profoto operates in the fast changing and growing image and content creation market, where the Company focuses on lighting solutions for still photographers. The image and content creation market comprises different components for imaging, production and creative solutions, of which lighting solutions are a key component for still photography and video. Lighting solutions is a global niche that make up off-camera flashes, on-camera flashes, continuous light, shaping tools and accessories aimed at creating and shaping light for professional photographers. Offering a comprehensive system of integrated flashes and light shaping tools, Profoto’s core focus is the off-camera flash (OCF) segment. In this segment, the Company has a leading position with an estimated global market share of 20 percent.<sup>1</sup>

Profoto has a global go to market strategy with sales in over 60 countries around the world and a large network of 276 active dealers. Profoto has its own subsidiaries in seven key markets: US, DACH, UK, France, Nordics, Japan and China. Sales through these subsidiaries represented approximately 80 percent of net sales in 2020, while approximately 15 percent of net sales came from external distributors and approximately 5 percent of net sales came from Profoto’s direct channel, profoto.com, where Profoto offers its products directly to the end-users.

Profoto was founded in 1968 and with continuous focus on product innovation and operational excellence, the Company has built a leading position in a global niche of the fast changing image and content creation market. The Company has established an attractive and efficient operating model with focus on core operations to drive profitable growth and expand the addressable market. Continuous investments in innovation, a global sales platform and an increased focus on operational efficiency have paved the way for a long history of organic growth combined with increased profitability. Between 2001<sup>2</sup> and 2019 net sales grew from SEK 89.3m to SEK 832.8m, corresponding to a CAGR of 13.2 percent, and the Company’s EBIT margin increased from 9.8 to 26.7 percent. For more information regarding Profoto’s business, please see section “Business overview” above.

## Important factors affecting the Group’s net sales, result of operations and cash flows

In Profoto’s view, the factors below can facilitate the analysis of the Company’s historical financial development and affect the Company’s net sales, results of operations and cash flow also in the future:

- Demand for the Company’s products
- Research and development
- Gross margin development
- Operational efficiency
- Net working capital development
- Capital expenditures
- Exchange rate fluctuations

Because some of these factors are beyond Profoto’s control and certain of these factors have historically been volatile, the past performance of Profoto is not necessarily indicative of its future performance, and at the same time it is difficult to predict the future result or performance of the Company with any degree of certainty. For a more detailed description of the risks associated with the Company’s operations, refer to the section “Risk factors” above.

### Demand for the Company’s products

The development of Profoto’s net sales and earnings is dependent on the demand for the different products provided by the Company. In turn, the demand is to a large extent affected by Profoto’s ability to introduce new products and updates to existing products in the market as well as the development of the ongoing Covid-19 pandemic.

An attractive product offering is vital for Profoto’s continued growth and profitability as it attracts new customers and solidifies Profoto’s position as a provider of comprehensive lighting systems within professional photography. Profoto’s product development process is based on customer values and focused on developing new products that adapts to customer needs and drives a change in the market to increase demand on the Company’s products. Through major product launches, the Company has fortified its position as one of the leaders in technology in the market, added new customer groups and expanded Profoto’s addressable market. For example, in 2019, Profoto launched a number of new products and upgrades, such as Connect and B10 Plus, which attracted great market interest, increased brand awareness and had a positive impact on the Company’s net sales, primarily driven by strong sales in Americas and EMEA. Net sales grew with 22.6 percent compared to 2018. Profoto plans to continue invest significant resources into research and development (see section “Operating

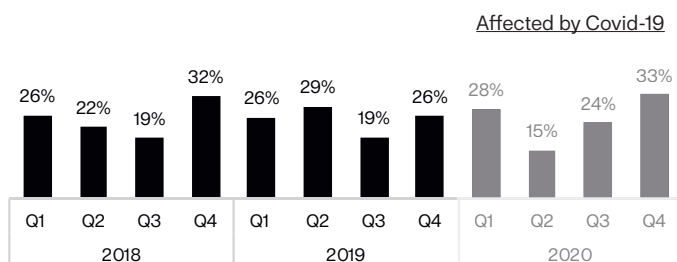
1) The Market Study.

2) Profoto AB annual report 2002.

and financial review – Research and development” below) and aims to drive further growth and increase demand through new product launches. The overall trends and the prevailing market conditions that affect demand for the Company’s products are further described in the section “Market overview” above.

The outbreak of Covid-19 significantly affected the Company’s net sales in 2020 which declined from SEK 832.8m in 2019 to SEK 528.4m, or 36.6 percent, in 2020. This as a result of the market uncertainty created by the pandemic as well as the restrictions imposed on travelling, events and other venues where people physically meet. The pandemic affected sales development across all geographies. Net sales in Americas, EMEA and APAC decreased by 48.3, 34.1 and 15.6 percent respectively in 2020 compared to 2019. Less extensive restrictions on people’s ability to travel and meet in the APAC region contributed to a relatively less negative development in net sales compared to Americas and EMEA. As restriction have been eased during the end of 2020 and the first quarter of 2021, Profoto experienced a recovery in the market and an increasing demand. During the first quarter 2021, net sales amounted to SEK 153.0m, compared to SEK 148.3m during the same period 2020 and SEK 212.8m in 2019. The Company believes that this underlying recovery in demand will continue as vaccine programs are implemented more generally and travel restrictions are lifted across the geographies in which the Company operates.

Further, Profoto’s net sales are relatively well distributed over the year, but some seasonal variations apply. The third quarter is typically the weakest quarter due to summer vacations in July – September, whereas the fourth quarter is typically the strongest due to major holidays and shopping events, such as Black Friday and Cyber Monday.



The table above sets forth the Company’s net sales for each quarter for the years 2018–2020.

During the second quarter 2019, Profoto made two significant product launches, B10X plus and A1X, which had an immediate impact on net sales. The main explanation for the significantly lower net sales during the second quarter 2020 is the outbreak of the Covid-19 pandemic.

The gross profit and adjusted EBIT mainly follows the sales activity in each quarter. Accordingly, gross margin and adjusted EBIT margin are typically lower in the third quarter each year, which is explained by semi fixed staff and other external costs that remain despite lower net sales.

### Research and development

Research and development (R&D) is and has always been a key focus area for Profoto. Through the years Profoto has been through shifts in technological advancements and photographic trends but Profoto has managed to stay ahead of the curve through innovation and product development. Through consistent

launches of new products as well as modifications and upgrades of new products, the Company has strengthened its premium position in the market and been able to attract new customer groups. All strategic research and product development are performed in-house and today the Company employs a team of expert in the fields of Image Technology, Power Electronics, Connectivity, Embedded Software and product design or mechanics. The team comprises 44 people (employees and full-time consultants) within the technology areas web development and technical development. In order to continue to stay ahead of the curve as well as to continue to develop high-end products that meet and exceed customer demands and expand into the market for continuous light, as well as further expand its operations in the smartphone market for professional photographers, Profoto needs to invest and incur costs related to research and development. Profoto’s total R&D investments amounted to SEK 77m, SEK 74m and SEK 70m in 2018, 2019 and 2020, respectively, corresponding to 11 percent, 9 percent and 13 percent of net sales in 2018, 2019 and 2020, respectively.

R&D expenses are composed of research, hardware and software development as well as testing of new and updated products. Some of the expenses associated with the Company’s R&D activities are activated in the balance sheet as intangible assets, with a corresponding cost reduction in the profit and loss statement. Internally generated development expenses activated in the balance sheet related to R&D were SEK 47m in 2018, SEK 24m in 2019 and SEK 21m in 2020. The balance sheet items are then depreciated over a period of 3–7 years.

### Gross margin development

Profoto has historically demonstrated a high gross margin. The Company believes that one of the reasons thereto is that Profoto is able to charge a premium price for its products as result of its high-quality products, strong brand and leading position in the premium segment of the lighting solutions market. Further, the gross margin is affected by channel distribution, where sales through the Company’s own subsidiaries and on [www.profoto.com](http://www.profoto.com) imply higher margins than sales through external distributors. In 2020, the sales from the Company’s direct channel, [www.profoto.com](http://www.profoto.com), relative to the dealer network had an approximately 20 percentage-points higher profitability margin. In 2020, approximately 80 percent of net sales came from own sales subsidiaries, approximately 15 percent of net sales from external distributors and approximately 5 percent of net sales from [profoto.com](http://www.profoto.com).

Profoto has further developed a strong internal governance model, focusing on achieving a high gross margin over time. One significant part of that governance model is a dedicated product development process where a short pay-back time and a high gross margin is secured through detailed business case simulations for all new products. Development of products that do not meet set targets are discontinued. Further, the Company has implemented internal incentives for regional sales directors based on profitability targets, which are continuously measured and evaluated.

Further, Profoto’s gross margin is affected by Profoto’s ability to negotiate attractive purchase prices of components from its EMS providers, whereby price negotiations with EMS providers usually take place in connection with the development of a new product, i.e. project-driven negotiations linked to a specific product.

In 2019, the gross margin increased to 69.9 percent. This was primarily a result of increased focus on profitability and pricing strategies as continuous and more comprehensive follow-ups with the sales organization were implemented. Simultaneously, a more prudent pricing strategy was enacted, as well as a centralized dis-



count policy. In 2020, the adjusted<sup>1</sup> gross margin declined to 65.9 percent as a result of Covid-19, due to sales mix being composed of higher share of demo products and also that the Company implemented higher discounts on certain high volume products as well as bundling deals made. However, a higher general price increase in January 2021 and the launch of Pro-11 with a particularly high product margin resulted in a higher gross margin in the first quarter of 2021. The gross margin in the first quarter of 2021 was 70.7 compared to the same period in 2020, 2019 and 2018 with a reported gross margin of 69.4, 66.3 and 69.1 percent, respectively.

### Operational efficiency

Profoto's operational efficiency is primarily demonstrated by its ability to successfully combine growth with high operating margins through an increased focus on operational excellence and the Company achieved an adjusted EBIT margin of 26.9 percent in 2018 and 26.7 percent in 2019. The decrease in both adjusted EBIT and adjusted EBIT margin in 2020 was primarily an effect of the Covid-19 pandemic. Furthermore, Profoto's financial profile is characterized by an asset light balance sheet and a vital part of the Company's strategy is to outsource everything that is not considered core business, such as production, warehousing, and support services. This allows for a greater flexibility and an attractive adjusted return on capital employed (ROCE). Adjusted ROCE amounted to 76.0 percent in 2018 and 55.4 percent in 2019. In 2020, ROCE amounted to 10.9 percent. This was primarily a result of the negative impact on adjusted EBIT from the Covid-19 pandemic.

Profoto's operating cost base primarily consist of semi-fixed expenses, such as personnel expenses and parts of other external expenses. Other external expenses mainly include expenses related to the Company's outsourcing partners within non-core activities such as production, warehousing, accounting, IT, service and repairs and non-core development (semi-fixed). Other external expenses include rented premises and insurances (fixed) as well as marketing expenses and exchange rate gains and losses (variable).

As the Covid-19 pandemic emerged, Profoto initiated a considerable efficiency and reorganizational program within the Group, including measures such as reduced but more efficient and measurable marketing activities with a transition from print to digital, a revised sales strategy and a more efficient sales organization, reduction in consultants and non-core personnel working for the Company, increased outsourcing of certain IT functions to low cost countries and a stricter general emphasis on cost control throughout the organization, resulting in lower personnel expenses and lower other external expenses.

The program was initiated during the second quarter 2020, with full effect from the fourth quarter 2020. During the fourth quarter 2020, total operating expenses (including personnel expenses, other external expenses, depreciation, amortization and impairment of intangible assets and property, plant and equipment and other operating expenses) amounted to SEK 74.4m, compared to SEK 111.9m for the fourth quarter 2019, a decrease of 33.5 percent. Personnel costs, other external costs and depreciation, amortization and impairment of intangible assets and property, plant and equipment amounted to 17.0, 16.1 and 8.9 percent of net sales during the fourth quarter of 2020. During the same period in 2019 the corresponding costs amounted to 20.9, 23.4 and 5.8 percent of net sales, respectively.

During the first quarter of 2021, the Company's operating expenses have been maintained at low levels as a result of the measures taken. Total operating expenses (including personnel expenses, other external expenses, depreciation, amortization and impairment of intangible assets and property, plant and equipment and other operating expenses) amounted to SEK 76.2m for the first quarter 2021, compared to SEK 102.3m for the corresponding period 2020. The efficiency measures implemented in the second quarter of 2020 has structurally reduced the cost base and lifted the EBIT margin in the fourth quarter of 2020. In the fourth quarter of 2020, the EBIT margin was 26.6 percent, compared to the EBIT margin of 18.1 percent in the fourth quarter of 2019. The strong uplift continued in the first quarter of 2021, whereby adjusted EBIT margin was 31.1 percent, compared to 30.5 percent in the first quarter of 2019. Mainly due to the impact of the Covid-19 pandemic, the EBIT margin for the first quarter of 2020 only amounted to 8.7 percent.

Although a future sales increase will drive some additional variable costs, Profoto believes that the significant cost savings achieved as a result of the program leaves the Company better positioned to capture value from future growth and provide for operating leverage.

### Net working capital development

The development of the Company's net working capital is a key factor for the cash flow from operating activities. Key factors affecting Profoto's net working capital are inventory, accounts receivables and accounts payables. Other factors are *Other current assets* (comprising prepaid expenses and deferred income, income tax receivables and other receivables) and *Other current liabilities* (comprising accrued expenses and deferred income as well as other short-term liabilities).

SEKm	2018	2019	2020
<b>Current assets</b>			
Inventories	89.5	171.9	93.8
Account receivables	96.8	95.0	67.0
Current tax assets	20.6	4.0	5.2
Other current assets	18.3	6.0	3.2
Prepayments and accrued income	4.3	5.6	8.1
<b>Current liabilities</b>			
Accounts payables	-66.5	-58.0	-44.6
Current tax liabilities	0.0	-0.4	0.0
Other current liabilities	-8.2	-7.4	-6.1
Accrued expenses and deferred income	-30.7	-43.0	-41.3
<b>Net working capital (NWC)</b>	<b>124.2</b>	<b>173.7</b>	<b>85.2</b>
Net sales	679.1	832.8	528.4
<b>NWC % of net sales, %</b>	<b>18.3</b>	<b>20.9</b>	<b>16.1</b>

The table above presents the Company's net working capital development during the years 2018–2020.

1) Adjusted for items affecting comparability related to inventory write-downs of SEK 48m in the third quarter of 2020. See section "Selected financial information – Reconciliation tables of alternative performance measures not defined in accordance with IFRS" for reconciliation of adjustments.

In 2019 inventory levels increased due to Profoto's preparations for continued high growth as a result of strong sales development during the end of 2018 and the beginning of 2019. On the contrary, in 2020 inventory levels decreased as a result of internal efforts to increase supply chain efficiency and lower overall sales activity due to the Covid-19 pandemic. As a result of improved efficiency in the supply chain, the Company still estimates that working capital tied up (net working capital in relation to net sales) will decrease in the future compared with 2019.

Accounts receivables in relation to sales have been relatively stable over the last three years as a result of a well-functioning invoicing policy and a high degree of timely payments from customers.

Accounts payables primarily relates to outsourced activities and Profoto strives for 60 days payable outstanding with its largest suppliers and are thus able to retain funds for a longer period than sales outstanding, which has a positive effect on the Company's net working capital development.

### Capital expenditure

Profoto's capital expenditure (capex) is mainly constituted of capitalized development expenses related to R&D described under section "Operating and financial review – Research and development" above.

SEKm	2018	2019	2020
Internally generated development costs	46.8	24.0	21.3
Other intangible assets	22.7	3.7	0.0
Licenses	1.0	0.0	0.3
Tangible capex	13.5	16.7	7.4
<b>Total</b>	<b>83.9</b>	<b>44.4</b>	<b>29.0</b>
<b>Net sales</b>	<b>679.1</b>	<b>832.8</b>	<b>528.4</b>
<b>% of net sales</b>	<b>12.4</b>	<b>5.3</b>	<b>5.5</b>

The table above presents the Company's capex development during the years 2018–2020.

Excluding the SEK 23m related to the new ERP system which was implemented during 2018, capex has remained largely stable at five percent of net sales during 2018, 2019 and 2020, respectively.

Tangible capex primarily relates to investments into molds and other production components owned by Profoto, but typically located with the Company's suppliers.

All investments have been financed with cash flow generated by Profoto.

### Exchange rate fluctuations

As a consequence of Profoto being headquartered in Stockholm, Sweden, but operating on a global market and holding subsidiaries worldwide, including in the US, China and the UK, the Company is exposed to exchange rate fluctuations. During 2020, approximately 95 percent of Profoto's net sales were made in other currencies than SEK, mainly USD (33.6 percent), EUR (33.1 percent), JPY (11.1 percent), CNY (9.7 percent) and GBP (6.0 percent). Thus, Profoto's net sales benefits from a lower SEK exchange rate. Profoto's costs are mainly attributable to SEK, EUR and USD, where USD accounted for approximately 49 percent of cost of goods sold in 2020.

In accordance with Profoto's finance policy, the above described currency risks are not secured by way of currency derivatives or similar. However, some natural hedge in product

margin exists with approximately 34 percent of net sales in USD and approximately 49 percent of cost of goods sold in the same currency.

The table below shows a sensitivity analysis of Profoto's exchange rate risk for the financial year 2020, based on the transactions during the period.

SEKm	2020 Effect on profit/loss for the year	2019 Effect on profit/loss for the year
<b>Transaction exposure</b>		
EUR/SEK +/-5%	7	11
USD/SEK +/-5%	1	7
CNY/SEK +/-5%	1	1
JPY/SEK +/-5%	2	3
GBP/SEK +/-5%	1	2

### Significant changes since 31 March 2021

On the annual shareholders' meeting held on 7 May 2021 it was resolved to pay dividends to Profoto Invest of SEK 156m. In connection with the annual shareholders' meeting in the Company, it was further resolved to settle certain intra-group loans between the Group and Profoto Invest, whereby it was resolved to finally settle receivables that companies within the Group had on Profoto Invest of SEK 136m, and receivables that Profoto Invest had on companies within the Group of SEK 83m.

Through an agreement dated 27 May 2021, Profoto AB entered into an arrangement with Conny Dufgran, one of Profoto's founders, regarding a final settlement of Conny Dufgran's remaining pension rights, which means that Conny Dufgran is entitled to compensation amounting to approximately SEK 1.6m from Profoto AB in the form of a one-off payment.

At the extraordinary shareholders' meeting in the Company held on 18 June 2021, the meeting resolved on a split of the Company's shares 1:80, after which there are 40,000,000 outstanding shares in the Company.

In June 2021 the Company entered into an agreement with Svenska Handelsbanken AB (publ) regarding a new senior credit facility of not more than SEK 250m. This credit facility replaces previous loan financing in the Group. However, as per the day of the Prospectus, no loans have been raised under the credit facility. For more information, see section "Legal considerations and supplementary information – Financing agreement".

Except as stated above, no significant changes have occurred with regard to the financial condition or financial performance of Profoto after 31 March 2021.

### Key items in the income statement

#### Net sales

Product sales, excluding VAT, returns, discounts and Group related eliminations.

#### Capitalized work for own account

Capitalized expenses related to hardware and software development and testing of new and updated products.

#### Goods

Direct costs related to purchase of goods including freight and customs to warehouse and kitting of products.

**Other external expenses**

Primarily costs related to supply chain, consultants in web development, R&D and accounting, marketing, premises rental costs and insurances.

**Personnel expenses**

Salaries, employer's contribution, pension and other costs directly related to the Company's personnel.

**Depreciation, amortization and impairment of intangible assets and property, plant and equipment**

Mainly comprises depreciation of internally generated development costs and other intangible assets.

**Other operating expenses**

Primarily costs related to exchange losses on receivables and payables.

**Operating profit/loss (EBIT)**

Operating profit/loss before net finance costs and tax.

**Finance costs**

Finance costs primarily relate to exchange rate differences attributable to financial items and interest expenses.

**Tax**

Tax consists of the sum of current tax and deferred tax.

**Profit/loss for the year/period**

Profit/loss for the year/period is the Company's net profit after income tax expense for the year or the period, as applicable.

**Comparison between the interim periods 1 January 2021 – 31 March 2021 and 1 January 2020 – 31 March 2020****Net sales**

Net sales increased by SEK 4.7m, or 3.1 percent (13.2 percent adjusted for currency effects), from SEK 148.3m for the first three months of 2020 to SEK 153.0m in the corresponding period in 2021. The increase was mainly due to was mainly attributable to the increase in revenue from APAC by SEK 21m, or 78 percent, from SEK 27m to SEK 48m. The increase in net sales in APAC was mainly due to a strong sales quarter where the launch of Pro-11 drove sales and that the Corona pandemic had a negative impact on APAC's net sales during the first three months of 2020. The increase in revenue from APAC was partly offset by the decrease in revenue from Americas by SEK 9m, or 15 percent, from SEK 60m to SEK 51m, and EMEA by SEK 8m, or 13.6 percent, from SEK 61m to SEK 53m during the period. The decrease in net sales in Americas and EMEA is an effect of restrictions in the regions during the first three months of 2021, combined with the fact that the pandemic did not affect the region's net sales to the same extent during the first three months of 2020.

**Capitalized work for own account**

Capitalized work for own account decreased by SEK 1.7m, or 28.1 percent, from SEK 6m for the first three months of 2020 to SEK 4.3m in the corresponding period in 2021.

**Goods**

Cost of goods sold decreased slightly by SEK 0.6m, or 1.3 percent, from SEK 45.4m for the first three months of 2020 to SEK 44.8m in the corresponding period in 2021.

**Other external expenses**

Other external expenses decreased significantly by SEK 10.4m, or 23.6 percent, from SEK 44.1m for the first three months of 2020 to SEK 33.7m in the corresponding period in 2021. The decrease was mainly due to a considerable efficiency and reorganizational program that was initiated within the Group, including measures such as reduced but more efficient and measurable marketing activities with a transition from print to digital, increased outsourcing of certain IT functions to low cost countries and a stricter general emphasis on cost control throughout the organization.

**Personnel expenses**

Personnel expenses decreased significantly by SEK 12.2m, or 29.7 percent, from SEK 41.2m for the first three months of 2020 to SEK 29m in the corresponding period in 2021. The decrease was mainly due to the efficiency and reorganizational program that was initiated within the Group.

**Depreciation, amortization and impairment of intangible assets and property, plant and equipment**

Depreciation, amortization and impairment of intangible assets and property, plant and equipment decreased by SEK 1.6m, or 10.1 percent, from SEK 16.0m for the first three months of 2020 to SEK 14.4m in the corresponding period in 2021. The decrease was mainly due to write-downs in the amount of SEK 1.6m related to disposal of equipment and tools and impairment of a minor development project related to the products C1 and C1 Plus.

**Other operating expenses**

Other operating expenses increased by SEK 1.8m, from SEK -0.9m for the first three months of 2020 to SEK 0.9m in the corresponding period in 2021.

**Operating profit/loss (EBIT)**

Operating profit/loss (EBIT) increased significantly by SEK 26.7m, or 207.1 percent, from SEK 12.9m for the first three months of 2020 to SEK 39.7m in the corresponding period in 2021.

**Finance costs**

Finance costs decreased by SEK 0.4m, from SEK 0.4m for the first three months of 2020 to SEK 0.0m in the corresponding period in 2021.

**Tax**

Tax increased significantly by SEK 7.5m, or 205 percent, from SEK 3.7m for the first three months of 2020 to SEK 11.2m in the corresponding period in 2021.

**Profit/loss for the period**

As a result of the factors described above, the profit/loss for the period increased significantly by SEK 20.6m, or 196.9 percent, from SEK 10.5m for the first three months of 2020 to SEK 31.1m in the corresponding period in 2021.

**Comparison between the full years 2020 and 2019****Net sales**

Net sales decreased significantly by SEK 304.5m, or 36.6 percent, from SEK 832.8m in the financial year 2019 to SEK 528.4m in the financial year 2020. The decrease was mainly due to the outbreak of Covid-19 which had a significantly negative impact on Profoto's net sales.

**Capitalized work for own account**

Capitalized work for own account decreased by SEK 2.6m, or 10.8 percent, from SEK 24.0m in the financial year 2019, to SEK 21.3m in the financial year 2020.

**Goods**

Cost of goods sold decreased by SEK 25.8m, or 10.2 percent, from SEK 253.5m in the financial year 2019, to SEK 227.7m in the financial year 2020. The change was mainly due to lower net sales, but also due to increased write-downs during the financial year.

**Other external expenses**

Other external expenses decreased significantly by SEK 61.1m, or 32.7 percent, from SEK 186.7m in the financial year 2019, to SEK 125.6m in the financial year 2020. The decrease was mainly due to the efficiency and reorganizational program that was initiated within the Group.

**Personnel expenses**

Personnel expenses decreased significantly by SEK 36.7m, or 23.4 percent, from SEK 156.9m in the financial year 2019, to SEK 120.3m in the financial year 2020. The decrease was mainly due to the efficiency and reorganizational program that was initiated within the Group.

**Depreciation, amortization and impairment of intangible assets and property, plant and equipment**

Depreciation, amortization and impairment of intangible assets and property, plant and equipment increased significantly by SEK 45.8m, or 108.9 percent, from SEK 42.0m in the financial year 2019, to SEK 87.8m in the financial year 2020. The increase was mainly due to significant write-downs of intangible and tangible assets related to the products C1 and C1 Plus totaling SEK 27m in the third quarter 2020.

**Other operating expenses**

Other operating expenses increased by SEK 0.3m, or 10.8 percent, from SEK 2.6m in the financial year 2019, to SEK 2.9m in the financial year 2020.

**Operating profit/loss (EBIT)**

The Group's profitability measured by EBIT decreased significantly during 2020. EBIT was SEK -11.9m in the financial year 2020, compared to SEK 222.1m in the financial year 2019. The decrease was mainly due to net sales decreasing significantly by SEK 304.5m, or 36.6 percent, from SEK 832.8m to SEK 528.4m during the financial year 2020. The decrease in net sales was partly offset by the decrease in operating expenses (other external expenses, personnel expenses, depreciation, amortization and impairment of intangible assets and property, plant and equipment and other operating expenses) by SEK 51.7m, or 13.3 percent, from SEK 388.3m to SEK 336.5m during the financial year 2020.

**Finance costs**

Finance costs increased significantly by SEK 4.9m, or 140.4 percent, from SEK 3.5m in the financial year 2019, to SEK 8.3m in the financial year 2020. The increase was mainly due to unrealized exchange losses at year-end 2020.

**Tax**

Tax revenue was SEK 2.5m in the financial year 2020, compared to tax expenses of SEK 43.2m in the financial year 2019.

**Profit/loss for the year**

As a result of the factors described above, the profit/loss for the year decreased significantly in the financial year 2020. Profit/loss for the year was a loss of SEK 17.4m in the financial year 2020, compared to a profit of SEK 177.2m in the financial year 2019.

**Comparison between the full years 2019 and 2018****Net sales**

Net sales increased by SEK 153.8m, or 22.6 percent, from SEK 679.1m in the financial year 2018 to SEK 832.8m in the financial year 2019. The increase was mainly due to the increase in net sales from Americas by SEK 94.4m, or 34.9 percent, from SEK 270.0m to SEK 364.4m as a result of strong momentum in 2019 driven by solid underlying demand and well received new product launches and updates. The increase in net sales was also partly attributable to the increase in net sales from EMEA by SEK 48.0m, or 18.9 percent, from SEK 254.6m to SEK 302.6m and the increase in net sales from APAC by SEK 11.3m, or 7.3 percent, from SEK 155.6m to SEK 166.9m during the period under review.

**Capitalized work for own account**

Capitalized work for own account decreased dramatically by SEK 45.4m, or 65.5 percent, from SEK 69.4m in the financial year 2018, to SEK 24.0m in the financial year 2019. The decrease was mainly due to capitalized expenses related to larger investments made during 2018, primarily the implementation of the new ERP system.

**Goods**

Cost of goods sold increased by SEK 29.6m, or 13.2 percent, from SEK 223.9m in the financial year 2018, to SEK 253.5m in the financial year 2019. The increase was mainly due to higher net sales, since goods is directly correlated to net sales.

**Other external expenses**

Other external expenses decreased by SEK 12.1m, or 6.1 percent, from SEK 198.8m in the financial year 2018, to SEK 186.7m in the financial year 2019.

**Personnel expenses**

Personnel expenses increased significantly by SEK 30.7m, or 24.3 percent, from SEK 126.2m in the financial year 2018, to SEK 156.9m in the financial year 2019. The increase was mainly due to the hiring of approximately twenty employees during the financial year 2019 to prepare for further growth.

**Depreciation, amortization and impairment of intangible assets and property, plant and equipment**

Depreciation, amortization and impairment of intangible assets and property, plant and equipment increased significantly by SEK 18.2m, or 76.7 percent, from SEK 23.8m in the financial year 2018, to SEK 42.0m in the financial year 2019. The increase was mainly due to increase in depreciation of intangible assets, as a result of capitalized development costs at the end of 2018. The increase mainly relates to capitalization of development project for the product A1 and a new ERP system.

**Other operating expenses**

Other operating expenses decreased by SEK 0.4m, or 13.1 percent, from SEK 3.0m in the financial year 2018, to SEK 2.6m in the financial year 2019.

**Operating profit/loss (EBIT)**

The Group's profitability measured by EBIT increased significantly in the financial year 2019. EBIT increased by SEK 39.3m, or 21.5



percent, from SEK 182.8m in the financial year 2018, to SEK 222.1m in the financial year 2019. The increase was mainly due to net sales increasing significantly by SEK 153.8m, or 22.6 percent, from SEK 679.1m to SEK 832.8m during the financial year 2019. The increase in net sales was partly offset by the increase in operating expenses (other external expenses, personnel expenses, depreciation, amortization and impairment of intangible assets and property, plant and equipment and other operating expenses) by SEK 36.5m, or 10.4 percent, from SEK 351.8m to SEK 388.3m during the financial year 2019.

#### Finance costs

Finance costs decreased by SEK 0.4m, or 11.1 percent, from SEK 3.9m in the financial year, to SEK 3.5m in the financial year 2019. The decrease was mainly due to a decrease in realized financial exchange losses.

#### Tax

Tax expenses increased significantly by SEK 12.1m, or 39.1 percent, from SEK 31.0m in the financial year 2018, to SEK 43.2m in the financial year 2019.

#### Profit/loss for the year

As a result of the factors described above, the profit/loss for the year increased significantly over the financial year 2019. Profit/loss for the year increased by SEK 28.7m, or 19.3 percent, from SEK 148.5m in the financial year 2018, to SEK 177.2m in the financial year 2019.

#### Liquidity and financial position

##### Cash flow

The table below shows the principal components of Profoto's cash flows for the quarter ended 31 March 2021, and 31 March 2020, respectively, and for the full years 2020 2019 and 2018.

##### Cash flow from operating activities

The Group's cash flow from operating activities increased by SEK 3.7m, or 9.5 percent, from SEK 38.6m for the first quarter of 2020 to SEK 42.3m in the corresponding period in 2021.

The Group's cash flow from operating activities decreased by SEK 17.5m, or 10.2 percent, from SEK 170.8m in the financial year 2019, to SEK 153.3m in the financial year 2020. The change was mainly due to much lower sales in the financial year 2020 due to the Covid-19 pandemic.

The Group's cash flow from operating activities increased by SEK 22.3m, or 15.0 percent, from SEK 148.5m in the financial year 2018, to SEK 170.8m in the financial year 2019. The increase was mainly due to higher EBIT.

##### Cash flow from investing activities

The Group's cash flow from investing activities decreased significantly by SEK 77.3m, from SEK -10.8m for the first quarter of 2020 to SEK -88.1m in the corresponding period in 2021. The decrease was mainly due to the provision of intra-group loan to the parent company Profoto Invest.

The Group's cash flow from investing activities amounted to SEK 38.1m in the financial year 2020, compared to SEK -133.1m in the financial year 2019. The increase was mainly due to the provision of intra-group loan to the parent company Profoto Invest in the financial year 2019.

The Group's cash flow from investing activities decreased significantly by SEK 48.5m, or 57.3 percent, from SEK -84.6m in the financial year 2018, to SEK -133.1m in the financial year 2019. The change was mainly due to a decrease of investments in intangible assets, and that during 2018 development costs related to the products B10 and B10 Plus and software's were capitalized, as well as the provision of intra-group loans to the parent company Profoto Invest.

##### Cash flow from financing activities

The Group's cash flow from financing activities increased by SEK 2.6m, from SEK 6.5m for the first quarter of 2020 to SEK 9.1m in the corresponding period in 2021.

The Group's cash flow from financing activities amounted to SEK 16.3m in the financial year 2020, compared to SEK -31.8m in the financial year 2019. The change was mainly due to reduced repayment of loans to the parent company Profoto Invest and the raising of new loans from credit institutions during the financial year 2020.

The Group's cash flow from financing activities amounted to SEK -31.8m during the financial year 2019 compared to SEK -44.5m in the financial year 2018. The change was mainly due to repayment of loans to group companies and raising of new external loans 2019.

#### Indebtedness

Profoto's indebtedness as of the day of this Prospectus primarily comprise of a senior credit facility of not more than SEK 250m with Svenska Handelsbanken AB (publ). For a description of the credit facility, see section "Legal considerations and supplementary information – Financing agreement".

#### Off-balance sheet items

As per 31 March 2021, Profoto had no off-balance sheet items, as defined in accordance with IFRS.

SEKm	January–March		Full-year		
	2021 Unaudited	2020 Unaudited	2020 Audited	2019 Audited	2018 Audited
Cash flow from operating activities	42.3	38.6	153.3	170.8	148.5
Cash flow from investing activities	-88.1	-10.8	38.1	-133.1	-84.6
Cash flow from financing activities	9.1	6.5	16.3	-31.8	-44.5
Cash and cash equivalents at beginning of year/period	254.5	51.5	51.5	45.4	25.9
<b>Cash and cash equivalents at end of year/period</b>	<b>214.5</b>	<b>81.3</b>	<b>254.5</b>	<b>51.5</b>	<b>45.4</b>



SEKm	January–March		Full-year		
	2021 Unaudited	2020 Unaudited	2020 Audited	2019 Audited	2018 Audited
Investments in intangible assets	-4.4	-6.0	-21.6	-27.7	-70.4
Acquisition of property, plant and equipment	-0.8	-2.1	-7.4	-16.7	-13.5

**Liquidity**

As per 31 March 2021, Profoto had available liquidity of SEK 215.0m. Liquidity consists of cash and cash equivalents.

**Investments**

The Group's investments primarily comprise investments in research and development as well as investment into tools in production and other production components owned by Profoto. The table above shows the Group's investments during the first quarter of 2021 and 2020 as well as the full years 2020, 2019 and 2018.

The Company has made no significant investments since 31 March 2021.

**Tangible and intangible assets****Intangible assets**

As per 31 March 2021, Profoto had intangible assets with a recognized value of SEK 114.0m, mainly relating to capitalized development expenditure.

**Tangible assets**

As per 31 March 2021, Profoto had tangible assets with a recognized value of SEK 83.6m, mainly relating to leased assets and equipment, tools and installations.

**Ongoing investments and undertakings for future investments**

The Company has no significant ongoing investments and has not made any firm commitments regarding significant future investments. However, the Company is regularly investing in research and development as well as into tools in production and other production components within the ordinary course of business.

**Significant trends**

During the financial year 2020, Profoto reported a net sales decrease of 36.6 percent (SEK 304.5m) organic net sales decrease) compared with the financial year 2019, with an adjusted EBIT margin of 10.6 percent. The Company assess that this development was largely driven by an extraordinarily week market development related to the covid-19 pandemic. However, the Company assess that as the Company's end markets are normalized, 2021 will show significantly higher organic net sales growth than what the Company's financial targets for net sales growth stipulates. Profoto assess that the gradual recovery in net sales during the fourth quarter of 2020 and the first quarter of 2021 is an effect of an initiated normalization and less extensive restrictions, primarily in China and Japan, and that the efficiency and reorganizational program implemented in 2020 (see "*Operational efficiency*" above) has contributed to an improved level of profitability. Furthermore, the Company assess that the normalization of the Company's end markets has continued in the second quarter of 2021. During the period April-May 2021, Profoto's net sales amounted to SEK 110.7m, to be compared with SEK 46.9m, SEK 161.3m and SEK 109.7m during the same period 2020, 2019 and 2018.<sup>1</sup>

Except the trends described above and in section "*Industry and market overview – Key trends affecting the image and content creation market*" there are, from the end of 2020 up until the date of the Prospectus and as far as the Company is aware, no particular development trends in terms of production, sales, storage, costs and sales prices within the framework of Profoto's operations or on the markets where Profoto operates, respectively.

<sup>1</sup>) The information is taken from the Company's internal accounts and has not been audited or reviewed by the Company's auditor.

# Capitalization, indebtedness and other financial information

The tables in this section describe the Company's capitalization and indebtedness at Group level as of 31 March 2021. See section "Share capital and ownership structure" for further information about the Company's share capital and shares. The tables in this section should be read in conjunction with section "Operating and financial review" and the Company's financial information, including the related notes, which may be found elsewhere in this Prospectus.

## Capitalization

SEKm	Per 31 March 2021
<b>Current debt (including current portion of non-current debt)</b>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	234
<b>Total current debt (including current portion of non-current debt)</b>	<b>234</b>
<b>Non-current debt (excluding current portion of non-current debt)</b>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	114
<b>Total non-current debt (excluding current portion of non-current debt)</b>	<b>114</b>
<b>Shareholders' equity</b>	
Share capital	0
Legal reserve(s)	–
Other reserves	362
<b>Total equity</b>	<b>710</b>

## Net indebtedness

The Group's net indebtedness as of 31 March 2021 is presented in the table below. The table only includes interest bearing liabilities.

SEKm	Per 31 March 2021
(A) Cash	215
(B) Cash equivalents	0
(C) Other current financial assets	–
<b>(D) Liquidity (A)+(B)+(C)</b>	<b>215</b>
(E) Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	128
(F) Current portion of non-current financial debt <sup>1</sup>	11
<b>(G) Current financial indebtedness (E)+(F)</b>	<b>139</b>
<b>(H) Net current financial indebtedness (G)-(D)</b>	<b>-76</b>
(I) Non-current financial debt (excluding current portion and debt instruments)	8
(J) Debt instruments	–
(K) Non-current trade and other payables <sup>2</sup>	45
<b>(L) Non-current financial indebtedness (I)+(J)+(K)</b>	<b>53</b>
<b>(M) Total financial indebtedness (H)+(L)</b>	<b>-23</b>

1) Reflects amounts as of 31 March 2021 corresponding to the "Lease liabilities" line item as shown in the Company's reviewed interim report for the three-month period ending 31 March 2021.

2) Reflects amounts as of 31 March 2021 corresponding to the "Lease liabilities" line item as shown in the Company's reviewed interim report for the three-month period ending 31 March 2021.

## Indirect indebtedness and contingent indebtedness

As of 31 March 2021, the Group had no indirect indebtedness or any contingent indebtedness.

## Changes in capitalization and net indebtedness since 31 March 2021

On the annual shareholders' meeting in the Company held on 7 May 2021 it was resolved to pay dividends to Profoto Invest of SEK 156m. In connection with the annual shareholders' meeting in the Company, it was further resolved to settle certain intra-group loans between the Group and Profoto Invest, whereby it was resolved to finally settle receivables that companies within the Group had on Profoto Invest of SEK 136m, and receivables that Profoto Invest had on companies within the Group of SEK 83m. In the event that these transactions had been carried out as of 31 March 2021, the information in the table above regarding Capitalization would be affected in so far as *Total current debt* would have amounted to SEK 151m, *Total non-current debt* would have amounted to SEK 114m and *Shareholders' equity* would have amounted to SEK 206m. Therefore, total capitalization would have decreased to SEK 471m. Further, the information in the table above regarding Net indebtedness would have been affected in so far as *(D) Liquidity* would have amounted to SEK 78m, *(G) Current financial indebtedness* would have amounted to SEK 56m and *(L) Non-current financial indebtedness* would have amounted to SEK 53m. The net indebtedness would then have increased to SEK 31m.

## Statement of working capital

Profoto's assessment is that the working capital available is sufficient for the Group's needs for the twelve months following the date of this Prospectus. Working capital refers to Profoto's ability to access cash and cash equivalents to fulfil its payment obligations as they become due.

# Board of directors, executive management and auditor

## Board of directors

Profoto's board of directors consists of six ordinary members, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the annual shareholders' meeting 2022. The table below shows the members of the board of directors, when they were first elected and whether they are considered to be independent of the Company and the Principal Owner.

In the section below, the respective board member's and member of the executive management's current shareholding in Profoto Invest is presented. However, immediately following the

completion of the Offering, Profoto Invest will distribute the remaining shares in the Company (i.e. the shares that are not sold in the Offering) to the shareholders of Profoto Invest. Thus, the shareholders of Profoto Invest will receive a direct shareholding in the Company. For more information on what the respective board member's and member of the executive management's shareholding in Profoto Holding will look like after the above described measures have been implemented, see section "Share capital and ownership – Ownership structure".

Name	Position	Member since	Independent of	
			The Company and executive management	The Principal Owner
Hans Eckerström	Chairman	2018	Yes	Yes
Magnus Brännström	Board member	2018	Yes	Yes
Pernilla Ekman	Board member	2021	Yes	Yes
Anders Hedebark	Board member, CEO	2010	No	No
Helena Holmgren	Board member	2021	Yes	Yes
Helene Willberg	Board member	2018	Yes	Yes



### Hans Eckerström

Born 1972.

Chairman of the board since 2018.

**Education:** Degree of Master of Science in Engineering (mechanical engineering), Chalmers University of Technology and a Degree of Master of Science in Business and Economics, School of Business, Economics and Law at the University of Gothenburg.

**Other current assignments:** Chairman of the board in Henri Lloyd Group AB and Profoto Invest AB. Board member in Thule Group AB and Swedbank AB (publ). Authorized signatory in Eckis Holding AB, NRS Holding AB, Nipigon Invest Svenska AB, Argaios AB, Aligro NRS Fastigheter AB and Aligro Planet Acquisition Company AB.

**Previous assignments (last five years):** Chairman of the board in Aligro Management AB. Member of the board in Nordstjärnan Aktiebolag, Nobia AB, Eckis Holding AB, Nordic Outsourcing Services AB, NRS Holding AB, Nipigon Invest Svenska AB, Argaios AB, Aligro Holding AB, Aligro Management AB, Aligro NRS Fastigheter AB, Henri Lloyd Group AB, Aigeln Sarl, Errakis Sarl and Nipigon Sarl.

**Shareholding in the Company:** Hans Eckerström holds, indirectly, 520,000 shares (of which 505,000 are ordinary class B shares, 9,000 are preference class B shares and 6,000 are preference class C shares) in Profoto Invest AB, the parent company of Profoto Holding AB.



### Magnus Brännström

Born 1966.

Board member since 2018.

**Education:** Educated economist and lawyer from Uppsala University, MSc Business Administration.

**Other current assignments:** CEO in Oriflame Holding AG. Chairman of the board in Molimb AB. Board member in Ferronordic AB and Profoto Invest AB.

**Previous assignments (last five years):** Board member in Aligro Planet Acquisition Company AB.

**Shareholding in the Company:** Magnus Brännström holds, indirectly, 103,000 shares (of which 100,000 are ordinary class B shares and 3,000 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.



### Pernilla Ekman

Born 1972.

Board member since 2021.

**Education:** Degree of Master of Science in Business Administration and Economics, Stockholm University.

**Other current assignments:** Chairman of the board in Sniph AB. Member of the board in Fractal Gaming Group AB and Emperek AB. Advisor to Qyre AB.

**Previous assignments (last five years):** Chairman of the board and member of the board in Zound Industries Smartphones AB. CEO in Zound Industries International AB.

**Shareholding in the Company:** Pernilla Ekman holds no shares in the Company.



**Anders Hedebark**

Born 1964.  
Board member since 2010 and CEO since 1997<sup>1)</sup>

**Education:** Degree of Master of Science in Engineering (electrical engineering), KTH Royal Institute of Technology and MBA, INSEAD Business School.

**Other current assignments:** Member of the board in Burken Invest AB. Member of the board and CEO in Profoto Invest AB. Alternate board member in Blue Boarding AB and Burken Invest 2 AB. Alternate board member and deputy CEO in Hedebark Kommunikation AB.

**Previous assignments (last five years):** Chairman of the board in VK i Sverige AB and VK i Gävle-Dala AB. Member of the board in Lipac Holding AB, VK i Järfälla AB, AB Lipac Liftar and VK i Huddinge AB. Alternate board member in VK i Isaberg AB and ITEX Rental AB.

**Shareholding in the Company:** Anders Hedebark holds, indirectly, 5,579,502 shares (of which 5,200,000 are ordinary class A shares and 379,502 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.



**Helena Holmgren**

Born 1976.  
Board member since 2021.

**Education:** Degree of Master of Science in Business Administration, Lund University and MBA, University of Ottawa.

**Other current assignments:** Member of the board in Hexatronic Group AB, Pricer Consulting Aktiebolag, Pricer Communication Aktiebolag and Pricer Explorative Research (PER) AB. CEO in Pricer Aktiebolag.

**Previous assignments (last five years):** Authorized signatory in Pricer Aktiebolag.

**Shareholding in the Company:** Helena Holmgren holds no shares in the Company.



**Helene Willberg**

Born 1967.  
Board member since 2018.

**Education:** Degree of Master of Business Administration, Stockholm School of Economics.

**Other current assignments:** Chairman of the board in Footway Group AB. Member of the board in Infrea AB, Thule Group AB, Nordic Paper Holding AB, Profoto Invest AB, Bowser Holding AB, Murus Holding AB, Carpe Pomum AB, Aligro Planet Acquisition Company AB, Re:NewCell AB (publ) and Enzymatica AB (publ).

**Previous assignments (last five years):** Member of the board and CEO in Alvarez & Marsal Sweden AB. Country Leader in Alvarez & Marsal Nordics. Member of the board in KPMG AB, Bohlinsgruppen Aktiebolag, Netlight Consulting AB (publ) and Zenith Group AB.

**Shareholding in the Company:** Helene Willberg holds, indirectly, 103,000 shares (of which 100,000 are ordinary class B shares and 3,000 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.

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1) Anders Hedebark was appointed CEO of Profoto Holding AB (publ) in 2010, but has held a corresponding position in Profoto AB since 1997.

## Executive management



### Anders Hedebark

Born 1964.  
CEO since 1997 and board member since 2010.

Refer to the section “Board of directors” above.



### Petter Sylvan

Born 1974.  
CFO (VP Finance) since 2009.

**Education:** Degree Master of Science in Engineering (automatization technology, entrepreneurship), Chalmers University of Technology and Executive MBA (finance), Stockholm School of Economics.

**Other current assignments:** Member of the board in Sylvan Finans AB.

**Previous assignments (last five years):** None.

**Shareholding in the Company:** Petter Sylvan holds 153,000 shares (of which 150,000 are ordinary class B shares and 3,000 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.



### Ulrika Björk

Born 1979.  
VP R&D since 2020.

**Education:** Master of Science in Mechanical Engineering, Linköping University.

**Other current assignments:** None.

**Previous assignments (last five years):** None.

**Shareholding in the Company:** Ulrika Björk holds 11,437 shares (of which 11,250 are ordinary class B shares and 187 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.





**Tobias Lindbäck**

Born 1968.

VP Strategy & Alliances since 2021.

**Education:** Master of Science Mechanical Engineering, University of Linköping.

**Other current assignments:** None.

**Previous assignments (last five years):** None.

**Shareholding in the Company:** Tobias Lindbäck holds 30,500 shares (of which 30,000 are ordinary class B shares and 500 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.



**Martina Nillenstedt**

Born 1973.

VP Product Marketing & Brand since 2020.

**Education:** Executive MBA, Stockholm School of Economics and Bachelor of Science in Business Administration, Jönköping International Business School.

**Other current assignments:** None.

**Previous assignments (last five years):** None.

**Shareholding in the Company:** Martina Nillenstedt holds 11,437 shares (of which 11,250 are ordinary class B shares and 187 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.



**Patrik Bluhme**

Born 1962.

VP Global Sales since 2014.

**Education:** Degree of Master of Science in Mechanical Engineering (graphic technology), KTH Royal Institute of Technology.

**Other current assignments:** Alternate board member in Magdalena Bluhme Psykoterapi AB.

**Previous assignments (last five years):** Member of the board in ALLGON AB (publ).

**Shareholding in the Company:** Patrik Bluhme holds 30,500 shares (of which 30,000 are ordinary class B shares and 500 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.

## Cont. Executive management



### **Gilles Rossi**

Born 1976.

VP Operations and Quality since 2017.

**Education:** Master of Mechanical Engineering from ENSAIS, France (Ecole Nationale Supérieure des Arts et Industries de Strasbourg).

**Other current assignments:** None.

#### **Previous assignments (last five years):**

Global Supply Chain Manager in EG Electronics AB.

**Shareholding in the Company:** Gilles Rossi holds 30,500 shares (of which 30,000 are ordinary class B shares and 500 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.



### **Sara Strid**

Born 1975.

VP Profoto.com since 2020.

**Education:** BFA in Photography, Parsons School of Design, Marketing Communication, Bergs School of Communication and mini-MBA in Digital Marketing, Rutgers Business School.

**Other current assignments:** None.

**Previous assignments (last five years):** None.

**Shareholding in the Company:** Sara Strid holds 11,437 shares (of which 11,250 are ordinary class B shares and 187 are preference class B shares) in Profoto Invest AB, the parent company of Profoto Holding AB.



### **Gunilla Öhman**

Born 1959.

Head of Investor Relations since 2021.

**Education:** Degree of Master of Science in Business and Economics, Stockholm School of Economics.

**Other current assignments:** Member of the board in Atvexa AB, Carrara Communication AB, Fasadgruppen Group AB (publ) and Titania Holding AB (publ). Alternate board member in Tiferna AB. Responsible for Investor Relations in NCAB Group and Nimbus Group.

**Previous assignments (last five years):** Member of the board in Hoist Finance AB (publ), SJ AB, HOIST Kredit Aktiebolag, Oasmia Pharmaceutical AB, Oatly AB, Cereal Base CEBA Aktiebolag and AMF Fonder AB.

**Shareholding in the Company:** Gunilla Öhman holds no shares in the Company.

### **Other information about the board of directors and executive management**

There are no family ties between any of the members of the board of directors or executive management.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and executive management of the Company and their private interests and/or other undertakings.

During the last five years, none of the members of the board of directors or the members of the executive management have, except as stated below, (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation (other than voluntary), or been subject to administration under bankruptcy, (iii) been officially bound by and/or been issued penalties for a crime by regulatory authorities (including recognized professional associations) or (iv) been prohibited by a court of law from being a member of any company's administrative, management or supervisory body or from holding a senior or overarching position of any company.

The Company's chairman, Hans Eckerström, was imposed tax surcharge (Sw. skattetillägg) in conjunction with a court decision from 2017. The background to the court decision is that Hans Eckerström, as a result of his partnership in Nordic Capital's funds, has been involved in the tax proceedings regarding the issue of taxation of so called carried interest, a certain profit share in the funds.

There are no arrangements or agreements regarding remuneration for members of the board or the executive management upon termination of their assignments or employments. Profoto has no amounts set aside or accrued to provide for pension, retirement or similar benefits upon termination of a member of the board's or a member of the executive management's assignment or employment. All members of the board of directors and the members of the executive management are available at the Company's address, P.O. Box 1264, SE-172 25, Sundbyberg, Sweden.

### **Auditor**

Deloitte AB was, at the annual shareholders' meeting 2021, re-elected until the end of the annual shareholders' meeting 2022. Therese Kjellberg (born 1971) is the auditor in charge. Therese Kjellberg is an authorized public accountant and a member of FAR (professional institute for authorized public accountants). Deloitte AB's office address is Rehnsgatan 11, SE-113 79 Stockholm, Sweden. Deloitte AB has been the Company's auditor between 2010–2013 and from 2017 until today. Thus, Deloitte AB has been auditor throughout the entire period which the historic financial information in this Prospectus covers.

# Corporate governance

## Corporate governance

Profoto Holding AB (publ) is a Swedish public limited liability company. Prior to the listing on Nasdaq Stockholm, corporate governance in the Company was based on Swedish law and internal rules and instructions. Once the Company has been listed on Nasdaq Stockholm, the Company will also comply with the Nordic Main Market Rulebook for Issuers of Shares and apply the Swedish Corporate Governance Code (the "Code"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be fully applied in connection with the listing of a company. The Company is not obliged to comply with every rule in the Code as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (according to the so-called "comply or explain principle").

The Company will apply the Code from the time of the listing of the shares on Nasdaq Stockholm. Any deviation from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time for the 2021 financial year. However, in the first corporate governance report, the Company is not required to explain non-compliance with such rules that have not been relevant during the period covered by the corporate governance report. Currently, the Company does not expect to report any deviations from the Code in the corporate governance report.

## Shareholders' meeting

According to the Swedish Companies Act, the shareholders' meeting is the Company's ultimate decision-making body. At the shareholders' meeting, the shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board of directors and auditors and remuneration to the board of directors and the auditors.

The annual shareholders' meeting must be held within six months from the end of the financial year. In addition to the annual shareholders' meeting, extraordinary shareholders' meetings may be convened. According to the Company's articles of association, shareholders' meetings are convened by publication of the convening notice in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Dagens Industri.

## Right to participate in shareholders' meetings

Shareholders who wish to participate in a shareholders' meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling six banking days prior to the meeting, and notify the Company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the shareholders' meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all Company shares owned or represented by the shareholder.

## Shareholder initiatives

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors well in advance to be included in the agenda for the shareholders' meeting.

## Nomination committee

Companies applying the Code shall have a nomination committee. According to the Code, the shareholders' meeting shall appoint the members of the nomination committee or resolve on procedures for appointing the members. The nomination committee shall, pursuant to the Code, consist of at least three members of which a majority shall be independent in relation to the Company and the Group Management. In addition, at least one member of the nomination committee shall be independent in relation to the largest shareholder in terms of voting rights or group of shareholders who cooperates in terms of the Company's management.

At the extraordinary general meeting in the Company on 7 May 2021 it was resolved that the nomination committee shall be composed of representatives of the chairman of the board and representatives for the company's three largest shareholders based on Euroclear Sweden's transcript of the share register as per 31 August 2021. The chairman of the board of directors shall convene the nomination committee. The member representing the largest shareholder shall be appointed chairman of the nomination committee, unless the nomination committee unanimously appoints someone else. Should a shareholder having appointed a representative to the nomination committee no longer be among the three largest shareholders, three months before the annual general meeting at the latest, the representative appointed by such shareholder shall resign and the shareholder who is then among the three largest shareholders shall have the right to appoint one representative to the nomination committee. If a member resigns from the nomination committee before his or her work is completed and if deemed appropriate by the nomination committee, the shareholder who has appointed such member shall appoint a new member. If such shareholder is no longer one of the three largest shareholders, a member shall be appointed by the shareholder who has become one of the three largest shareholders. A shareholder who has appointed a representative to the nomination committee shall have the right to discharge such representative and appoint a new representative.

Changes to the composition of the nomination committee shall be announced immediately.

No remuneration shall be paid to the members of the nomination committee. The company shall assume such necessary costs which the nomination committee may have for its work. The mandate period for the nomination committee shall extend until a new nomination committee has been appointed. The nomination committee shall fulfil its duties incumbent upon it under the Swedish Corporate Governance Code.

## Board of directors

The board of directors is the second-highest decision-making body of the Company after the shareholders' meeting. According to the Swedish Companies Act, the board of directors is responsible for the organization of the company and the management of the company's affairs, which means that the board of directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The board of directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the board of directors appoints the CEO.

Members of the board of directors are normally appointed by the annual shareholders' meeting for the period until the end of the next annual shareholders' meeting. According to the Company's articles of association, the members of the board of directors

elected by the shareholders' meeting shall be not less than three and not more than ten members with no deputy members.

According to the Code, the chairman of the board of directors is to be elected by the shareholders' meeting and have a special responsibility for leading the work of the board of directors and for ensuring that the work of the board of directors is efficiently organized.

The board of directors applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the board of directors, functions and the division of work between the members of the board of directors and the CEO. At the inaugural board meeting, the board of directors also adopts instructions for the CEO, including instructions for financial reporting.

The board of directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the chairman of the board of directors and the CEO continuously discuss the management of the Company.

Currently, the Company's board of directors consists of six ordinary members elected by the shareholders' meeting, who are presented in section *"Board of directors, executive management and auditor"*.

#### **Audit committee**

Profoto has an audit committee consisting of Helene Willberg (chairman) and Pernilla Ekman. The audit committee shall, without it affecting the responsibilities and tasks of the board of directors, monitor the Company's financial reporting, monitor the efficiency of the Company's internal controls, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the Company, and assist in the preparation of proposals for the shareholders' meeting's decision on election of auditors.

#### **Remuneration committee**

Profoto has a remuneration committee consisting of Hans Eckerström (chairman) and Magnus Brännström. The remuneration committee shall prepare matters concerning remuneration principles, remuneration and other employment terms for the CEO and the executive management.

#### **The CEO and other executive management**

The CEO is subordinated to the board of directors and is responsible for the everyday management and operations of the Company. The division of work between the board of directors and the CEO is set out in the rules of procedure for the board of directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for the financial reporting, the CEO is responsible for the financial reporting in the Company and consequently must ensure that the board of directors receives adequate information for the board of directors to be able to evaluate the Company's financial condition.

The CEO must continuously keep the board of directors informed of developments in the Company's operations, the development of sales, the Company's result and financial condi-

tion, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and executive management are presented in section *"Board of directors, executive management and auditor"*.

#### **Remuneration to the members of the board of directors, CEO and executive management**

##### **Remuneration to the members of the board of directors**

Fees and other remuneration to the members of the board of directors, including the chairman, are resolved by the shareholders' meeting. At the annual shareholders' meeting held on 7 May 2021 it was resolved that remuneration for the board of directors, for the time until the end of the next annual shareholders' meeting, shall be paid in a total amount of SEK 900,000, whereof the chairman of the board shall receive SEK 300,000 and the other board members that are not employed by the Company shall receive SEK 150,000 each.

The annual shareholders' meeting further resolved that remuneration for the board's work on committees shall be distributed in accordance with the following: SEK 50,000 shall be distributed to the chairman of the audit committee and SEK 50,000 to the other member. The chairman of the remuneration committee shall receive SEK 25,000 and the other member shall receive SEK 25,000.

The table below presents an overview of remuneration to the board of directors elected by the shareholders for the 2020 financial year. The members of the board of directors are not entitled to any benefits following termination of their assignments as directors of the board.

Name	Function	Board fee (SEK)
Hans Eckerström	Chairman	311,250 <sup>1</sup>
Magnus Brännström	Board member	138,750
Pernilla Ekman	Board member	–
Anders Hedebark	Board member (and CEO)	0
Helena Holmgren	Board member	–
Helene Willberg	Board member	173,000 <sup>2</sup>
<b>Total</b>		<b>623,000</b>

#### **Guidelines for remuneration to the executive management**

At the extraordinary shareholders' meeting held on 7 May 2021 it was resolved to adopt guidelines for remuneration to the CEO and other members of the executive management, which mainly entail that the remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. The board of directors should annually evaluate whether share-related or share price-related long-term incentive schemes should be proposed to the general meeting.

The fixed cash salary shall be individual and based on the executive's responsibility and position as well as competence and experience from the relevant position.

Variable cash remuneration shall be awarded upon satisfaction of certain criteria. Such variable cash remuneration shall not

1) Including SEK 43,000 for work in the audit committee.

2) Including SEK 43,000 for work in the audit committee.



amount to more than the aggregate of twelve fixed monthly cash salaries.

For the CEO, pension benefits shall be premium defined and shall not amount to more than 35 percent of the remuneration which entitles pension (fixed and variable cash remuneration). For other executives which fall within the ITP-plan, the pension benefits shall correspond to what applies according to the ITP-plan. For other executives the pension benefits shall not amount to more than 25 percent of the remuneration which entitles pension (fixed and variable cash remuneration).

Other benefits may include, for example, medical insurance (Sw. *sjukvårdsförsäkring*) and company car. Such benefits shall have a limited value in relation to other remuneration and correspond to market terms on each geographical market. Such benefits may not amount to more than 10 percent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

#### **Remuneration to the CEO and other executive management**

The table below presents an overview of remuneration to the CEO and other members of executive management for the 2020 financial year.

#### **Current employment agreements for the CEO and other executive management**

Decisions as to the current remuneration levels and other conditions for employment for the CEO and the other members of the executive management have been resolved by the board of directors.

The employment agreement with the CEO contains a mutual notice period of 12 months. For the other members of the executive management, a notice period of 3 – 6 months applies. Further, the agreements contain customary competition clauses and provisions that prevent the person from pursuing business in competition with the Company.

#### **Auditing**

The auditor shall review the Company's annual reports and accounting, as well as the management of the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual shareholders' meeting.

Pursuant to the Company's articles of association, the Company shall have not less than one and not more than two auditors and not more than two deputy auditors. The Company's auditor is Deloitte AB, with Therese Kjellberg as auditor in charge. The Company's auditor is presented in more detail in section "*Board of directors, executive management and auditor*".

In 2020, the total remuneration of the Company's auditor amounted SEK 2m.

#### **Internal Control**

##### **General**

Internal control comprises the control of the Company's and the Group's organization, procedures and support measures. The objective is to ensure that reliable and accurate financial reporting takes place, that the Company's and the Group's financial reporting is prepared in accordance with law and applicable accounting standards, that the Company's and the Group's assets are protected and that other requirements are fulfilled. The system for internal control is also intended to monitor compliance with the Company's and the Group's policies, principles and instructions. Internal control also comprises risk analysis and follow-up of incorporating information and business systems. Profoto has adopted a board policy regarding risk management and internal control with the purpose of describing Profoto's overall control environment and risk management, applicable for all legal and operational entities within Profoto, as further described below. The CFO is responsible for the content of, and the compliance with, the policy.

The process for Profoto's internal control and risk management is based on the Committee of Sponsoring Organizations of the Treadway Commission's framework on internal control (COSO).

##### **Control environment**

The board of directors is ultimately responsible for internal control and an important part of the board of directors' work is to ensure an efficient control environment. The board of directors' rules of procedures, and instructions for its' committees and the CEO, aim to define a division of responsibility to utilize an efficient risk management within the organization. The board of directors also reviews and approves certain governing documents of importance for the organizations' internal control environment, including Profoto's finance policy, sustainability policy, insider policy, ethical rules, equality plan, environmental policy and communication policy. Profoto's control environment is founded on clear guidelines, communicated to all of the Group's subsidiaries to ensure compliance with adopted rules and principles throughout the entire organization.

##### **Risk assessment**

Profoto has established a risk assessment procedure, entailing that Profoto conducts annual risk assessment with the purpose to identify, assess and manage risks which threaten the Group's vision and goals. For Profoto, risks are identified and assessed within the following risk areas:

- Strategic risk
- Operational risk
- Financial risk

The risk assessment is performed by each VP. Identified risks shall be documented in a uniform format and shall be assessed based on certain impact and probability criteria, which provides certain risk value. Profoto's objective with the risk value is to form basis for

Name	Board fee	Basic salary	Variable remuneration	Other benefits	Pension costs	Total
Anders Hedebark, CEO	0	3,558,555	0	346,764	1,279,572	5,184,891
Other members of executive management	–	8,102,918	0	73,49	2,834,193	11,010,601
<b>Total</b>	<b>0</b>	<b>11,661,473</b>	<b>0</b>	<b>420,254</b>	<b>4,113,765</b>	<b>16,195,492</b>

Profoto's allocation of resources to the most relevant and prioritized risks. Strategies for managing risks include to accept, monitor and reduce the identified risks. All risks exceeding a certain established risk value must be reduced. Such risks are referred to as key risks.

#### **Control activities**

Profoto has established certain control activities to mitigate the highest valued of the identified risks, as well as key controls to mitigate inherent risks within critical processes. Key control includes controls which are evaluated as important controls to reduce key risks. Such control activities constitute the minimum requirements of internal control. Profoto also has established routines for testing of controls.

#### **Information and communication**

The board of directors of Profoto has adopted a communication policy and an insider policy, governing Profoto's management and communication of inside information and other information. The insider policy is intended to reduce the risks of insider dealing and other unlawful behavior and to facilitate Profoto's compliance with applicable rules regarding the handling of inside information. In addition, Profoto has also established procedures for the handling of information and restriction of the dissemination of information. The communication policy describes Profoto's overall focus on communication matters. Profoto's information provided to the market shall be correct, relevant and reliable and shall be provided in accordance with the Nordic Main Market Rulebook for Issuers of Shares.

#### **Investor relations function**

Profoto has established an investor relations function. The purpose of Profoto's investor relations function is to build a long-term knowledge of and trust in Profoto's operations and value creation, whilst ensuring that Profoto complies with applicable regulations. Profoto's investor relations function handles regular contacts with shareholders, analysts, investors, financial journalists, Nasdaq Stockholm, the SFSA and other capital market participants and coordinates general meetings, analyst meetings and capital markets presentations. Head of Investor Relations is responsible for this function, which also consists of the CEO and the CFO.

#### **Monitoring and reporting**

Control activities are to be monitored on a monthly basis by defined persons throughout the organization. Profoto shall have information and reporting structures that ensure that information regarding its operations and risk exposure are current and relevant. The CFO shall annually present two reports to the board of directors to enable them to perform their annual review of risks and handling of risks.

# Share capital and ownership structure

## General information

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 500,000 and not more than SEK 2,000,000, and the number of shares may not be less than 20,000,000 and not more than 80,000,000. As of 31 Mars 2021, the Company had issued a total of 500,000 shares.<sup>1</sup> The shares are denominated in SEK and the quota value of each share is SEK 0.0125.

All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable, however that certain of the Company's direct and indirect shareholders have undertaken not to sell any additional shares in the Company for a certain period of time. See further in section "Share capital and ownership structure – Lock-up arrangements".

The offered shares are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the offered shares during the current or preceding financial year.

## Certain rights associated with the shares

The offered shares are all of the same class. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act.

Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

All shares give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividend are passed by shareholders' meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to receive dividends.

Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also section "Tax considerations in Sweden".

## Information regarding mandatory bids and redemption of minority shares

Pursuant to the Swedish Takeovers Act (2006:451) any person who (i) does not hold any shares or holds shares representing less than

three tenths of the voting rights in a Swedish limited liability company whose shares are admitted to trading on a regulated market (the "Target Company"), and (ii) who through the acquisition of shares in the Target Company, alone or together with a closely related party, holds shares representing three tenths or more of the voting rights for all of the shares in the Target Company is obliged to immediately disclose the size of his holding in the Target Company and, within four weeks thereafter, make an offer to acquire the remaining shares in the Target Company (mandatory offer requirement). A shareholder who personally, or through a subsidiary, holds more than 90 percent of the shares in a Swedish limited liability company has the right to redeem the rest of the shares in the company. The owners of the rest of the shares have a corresponding right to have their shares redeemed by the majority shareholder. The formal procedure for the redemption of minority shares is regulated in the Swedish Companies Act.

## Dividend policy

Profoto aims to pay out at least 50 percent of its net profit, while also taking into account other factors such as financial position, cash flow and growth opportunities.

## Central securities register

The Company's shares are registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. No share certificates have been issued for the Company's shares. The ISIN code for the shares is SE0015962147.

## Share capital development

The below table shows historic changes in the Company's share capital since the Company's formation.

## Convertibles, warrants, etc.

There are no outstanding warrants, convertibles or other share-related instruments in the Company.

## Incentive program, etc.

The Company has not established any share-related incentive programs. However, the Company has established a performance-based annual cash bonus program to certain members of the executive management (Anders Hedebark, Petter Sylvan, Ulrika Björk, Tobias Lindbäck, Martina Nillenstedt, Patrik Bluhme, Gilles Rossi, and Sara Strid), employees within sales and a few other employees, which entitles them to a bonus paid in cash, provided that certain performance targets have been met. The performance targets are based on yearly incentive performance levels, as determined on a year-to-year basis at board level. The maximum bonus amount for each employee varies but is capped at an amount equal to four months' salary for management members, six months' salary for employees within sales and normally one month's salary for other employees. In accordance with Profoto's incentive policy, applicable throughout the Group, an employee is not entitled to any annual bonus in case the

Time	Event	Change in number of shares and votes	Number of shares and votes after the transaction	Share capital (SEK)	
				Change	Total
2010-06-08	New formation	500,000	500,000	50,000	50,000
2021-05-07	Bonus issue	–	500,000	450,000	500,000
2021-06-18	Share split	39,500,000	40,000,000	–	500,000

1) As at the date of this Prospectus, after completed share split, the Company has issued a total of 40,000,000 shares.

employment is terminated due to (i) the employee's own resignation, (ii) personal reasons (Sw. *personliga skäl*) or (iii) summarily dismissal (Sw. *avskedande*).

Sales personnel in the Company's US subsidiary, Profoto US Inc., are, in addition to annual bonus, entitled to monthly commission based on total generated sales within a designated territory. The percentage varies for each employee.

### Ownership structure

As of the date of the Prospectus, the Company is wholly-owned by Profoto Invest AB, P.O. Box 1264, SE-172 25 Sundbyberg, Sweden, LEI-code 549300QPKGP9Z4OR9E33.

However, immediately following the completion of the Offering, Profoto Invest will distribute the remaining shares in the Company (i.e. the shares that are not sold in the Offering) to the shareholders of Profoto Invest. This is intended to take place by way of a reduction of the share capital in Profoto Invest, through withdrawal of shares. As payment for such shares withdrawn, the shareholders in Profoto Invest will receive, among other things, shares in Profoto Holding. Thus, the shareholders of Profoto Invest will receive a direct shareholding in the Company. Assuming that the Over-allotment option is exercised in full, the Company's largest shareholder will, after completion of the Offering, be Burken Invest AB (which is controlled by Anders Hedebark) with 37.8 percent of the shares and votes in the Company, and Nedergransta Förvaltning AB (which is controlled by Conny Dufgran), with 15.0 percent of the shares and votes. Hence, these shareholders will have a substantial influence over the outcome of items that the Company's shareholders resolve on. Such influence is limited through the Swedish Companies Act, the Code and other applicable rules and regulations. See also section "Risk factors – Risks relating to the Offering and the Company's shares – Larger shareholders will continue to have substantial influence over Profoto after the Offering and could delay or prevent a change in control over the Company". Furthermore, as a result, the majority of the Company's board members and members of the executive management will receive a direct ownership in the Company in accordance with what is set out in the table below.

The table below describes the Company's ownership structure after the Offering and the above described measures have been completed.

### Lock up-arrangements

Under the Placing Agreement which is expected to be entered into on or around 30 June 2021, certain of the Principal Owner's shareholders, including Burken Invest AB and Nedergransta Förvaltning AB and Profoto's shareholding members of the board of directors and executive management, will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced (the "Lock-up period"). The Lock-up period for Nedergransta Förvaltning AB will be 180 days, and the Lock-up period for Burken Invest AB as well as the shareholding members of the board of directors and executive management will be 360 days. At the end of the respective Lock-up periods, the shares may be offered for sale, which may affect the market price of the share. The Managers may make exceptions from these undertakings. Any exception from the lock-up arrangements will be considered on a case-by-case basis and may be provided for on both personal and commercial reasons. Pursuant to the Placing Agreement, the Company will undertake, with certain exceptions, towards the Managers not to, e.g. resolve upon or propose to the shareholders' meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 360 days from the first day of trading of the Company's shares on Nasdaq Stockholm without a written consent from the Managers. See section "Legal considerations and supplementary information – Placing Agreement".

### Net asset value per share compared to the price per share in the Offering

As per 31 March 2021, the net asset value (equity per share) amounted to approximately SEK 9.1, to be compared with the price per share in the Offering of SEK 66.

	Shareholding after the Offering (if the Over-allotment Option is not exercised)		Shareholding after the Offering (if the Over-allotment Option is exercised in full)	
	Number	Percent	Number	Percent
<b>Shareholder</b>				
Burken Invest AB <sup>1</sup>	16,285,141	40.7	15,127,321	37.8
Nedergransta Förvaltning AB <sup>2</sup>	6,981,087	17.5	6,000,000	15.0
<i>Board members</i>				
Hans Eckerström <sup>3</sup>	1,230,510	3.1	1,230,510	3.1
Helene Willberg <sup>3</sup>	250,494	0.6	250,494	0.6
Magnus Brännström <sup>3</sup>	250,494	0.6	250,494	0.6
<i>Members of the executive management</i>				
Petter Sylvan	339,920	0.8	339,920	0.8
Patrik Bluhme	65,595	0.2	65,595	0.2
Tobias Lindbäck	59,035	0.1	59,035	0.1
Gilles Rossi	65,595	0.2	65,595	0.2
Martina Nillenstedt	20,254	0.1	20,254	0.1
Sara Strid	21,605	0.1	21,605	0.1
Ulrika Björk	24,586	0.1	24,586	0.1
<i>Others</i>	146,302	0.4	146,302	0.4
<b>Additional new shareholders</b>	<b>14,259,382</b>	<b>35.6</b>	<b>16,398,289</b>	<b>41.0</b>
<b>Total number of new and existing shareholders</b>	<b>40,000,000</b>	<b>100.0</b>	<b>40,000,000</b>	<b>100.0</b>

1) Controlled by Anders Hedebark. 2) Controlled by Conny Dufgran. 3) Indirect ownership.

# Articles of association

## Articles of association for Profoto Holding AB (publ)

(Reg. No. 556810-9879)

Adopted by the extraordinary general meeting on 18 June 2021.

### 1 § Name of the company

The company's name is Profoto Holding AB (publ).

### 2 § Registered office

The company's registered office shall be situated in Stockholm, Sweden.

### 3 § Object of the company's business

The object of the company is, directly or indirectly, to own and manage shares in subsidiaries and to produce and sell products in the photography and radio business, rental of photography equipment, rental of photography studio and any other activities compatible therewith.

### 4 § Share capital and shares

The share capital shall be not less than SEK 500,000 and not more than SEK 2,000,000. The number of shares shall be not less than 20,000,000 and not more than 80,000,000.

### 5 § Financial year

The company's financial year shall be the period between 1 January and 31 December.

### 6 § Board of directors

The board of directors elected by the shareholders' meeting shall consist of not less than three members and not more than ten members with no deputy members.

### 7 § Auditor

The company shall have not less than one and not more than two auditors with not more than two deputy auditors. A certified auditor or a registered audit company shall be appointed as auditor and, when applicable, as deputy auditor.

### 8 § Notice of shareholders' meeting

Notice of shareholders' meetings shall be made through announcement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. It shall be announced in Dagens Industri that a notice of a shareholders' general meeting has been issued.

### 9 § Notice of participation in shareholders' meetings

In order to participate at a shareholders' meeting, a shareholder must notify the company of the intention to attend no later than on the day stipulated in the notice of the shareholders' meeting. Such a day must not be a Sunday, any other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be more than the fifth weekday prior to the shareholders' meeting. If a shareholder wishes to be joined by assistants at the shareholders' meeting the number of assistants (not more than two) must be stated in the notice of participation.

### 10 § Business at annual shareholders' meetings

The following business shall be addressed at annual shareholders' meetings:

1. election of a chairman of the meeting;
2. preparation and approval of the voting list;
3. approval of the agenda;
4. election of one or two persons who shall approve the minutes of the meeting;
5. determination of whether the meeting was duly convened;
6. submission of the annual report and the auditors' report and, where applicable, the consolidated financial statements and the auditors' report for the group;
7. resolutions regarding the adoption of the income statement and the balance sheet and, when applicable, the consolidated income statement and the consolidated balance sheet;
8. resolutions regarding allocation of the company's profits or losses in accordance with the adopted balance sheet;
9. resolutions regarding discharge of the members of the board of directors and the CEO from liability;
10. determination of the number of members and deputy members of the board of directors and the number of auditors and deputy auditors;
11. determination of fees for members of the board of directors and auditors;
12. election of the members and deputy members of the board of directors and auditors and deputy auditors;
13. other matters, which are set out in the Swedish Companies Act or the company's articles of association.

### 11 § Euroclear company

The company's shares shall be registered in a securities register in accordance with the Swedish Central Securities Depositories and Financial Instruments (Accounts) Act (SFS 1998:1479).



# Legal considerations and supplementary information

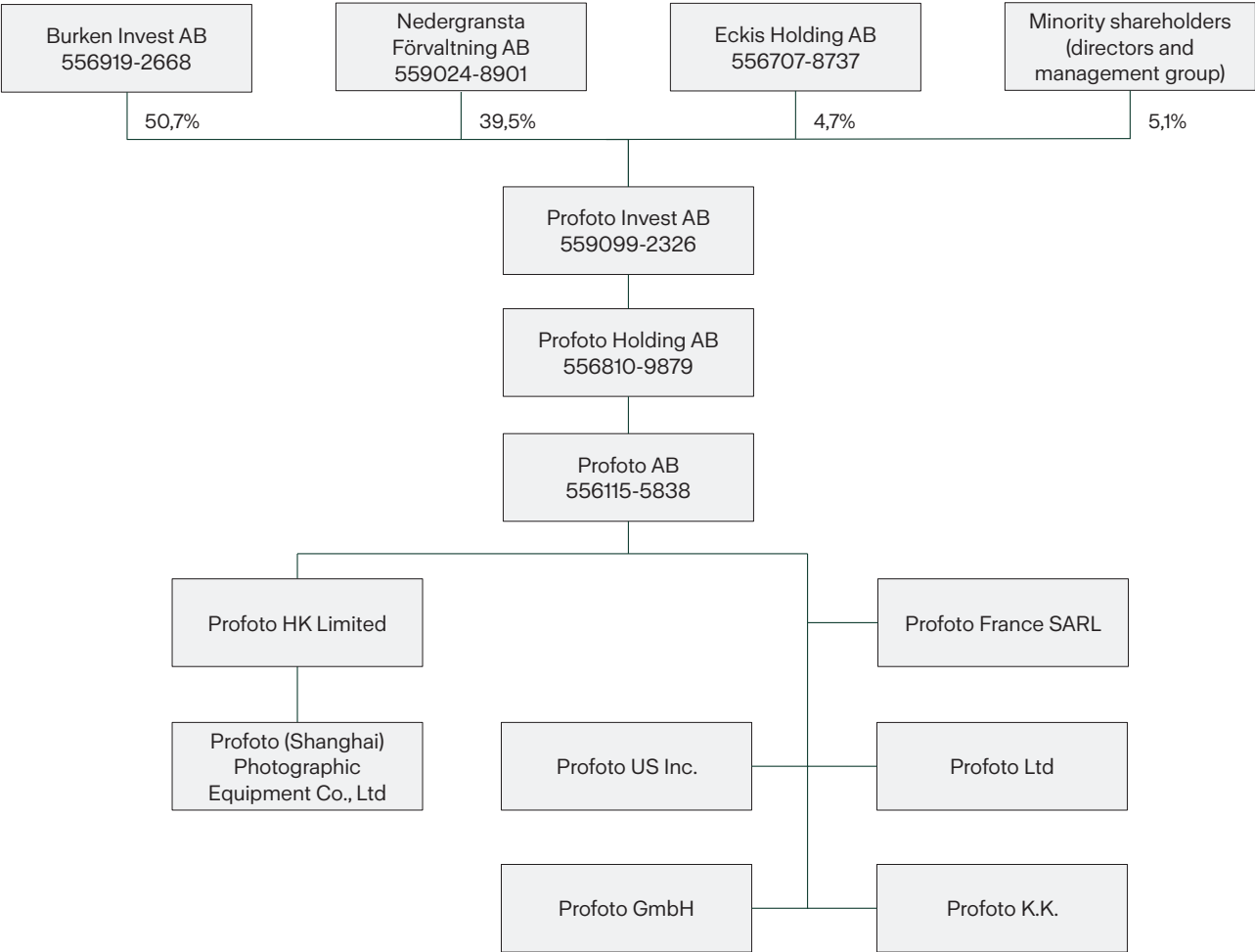
**Legal group structure**

Profoto Holding AB (publ), Reg. No. 556810-9879, has its registered office in the municipality of Sundbyberg, Sweden. The Company is a Swedish public limited liability company and was founded on 26 May 2010 and registered with the Swedish Companies Registration Office on 8 June 2010. The Company’s business is conducted in accordance with Swedish law. The Company’s form of association is governed by the Swedish Companies Act. The Company’s LEI-code is 5493008RTPUAOFW3SX33.

The Company’s address is P.O. Box 1264, SE-172 25, Sundbyberg, Sweden, its telephone number is +46 8 447 53 00 and its website is [www.profoto.com](http://www.profoto.com). The information on the website does not form part of the Prospectus unless that information is incorporated into this Prospectus by reference.

The Company is currently the parent company of eight directly or indirectly wholly-owned subsidiaries, including subsidiaries in Sweden, Germany, the US, France, UK, Japan and China. The Group structure is shown in the chart below.

**Profoto Group structure**



**Material agreements**

**Dealer- and distribution agreements**

Profoto’s products are mainly distributed through dealers where sale to end-customers are made, or through distributors where sale to dealers are made, and also (in respect of a fairly small part of the total sales) directly through [profoto.com](http://profoto.com). Some dealers also provide rental services in respect of Profoto’s products, instead of selling them to end-customers. Generally, Profoto’s subsidiaries function as distributors or agents of Profoto AB.

The Group uses certain standard template framework agreements for its agreements with its dealers, which govern the deal-

ers’ right to market and resell Profoto’s products. The framework dealer agreements are divided into three different versions based on where in the world the dealer is located. The framework dealer agreements contain terms regarding e.g. prices, marketing support and liability. The framework dealer agreements run on consecutive one-year periods, unless terminated by either party giving notice at least three months prior to the expiration date of the initial term or the relevant consecutive one-year period. In respect of certain major dealers, the Company has entered agreements that may deviate from the framework agreement.

Further, the Group uses a template framework distribution agreement for its agreements with its distributors, which governs the distributors' right to distribute Profoto's products. The framework distribution agreement contains terms regarding e.g. prices, marketing support, liability and term. The framework agreement appoints the distributor as a non-exclusive distributor.

### **Supply agreements**

The Group works on an "outsourcing basis", where several functions are outsourced to third party suppliers, such as producers/manufacturers of the Group's products, warehousing providers, logistics providers as well as certain R&D consultants.

All of the Group's manufacturing is outsourced to third party suppliers. The Group has three main categories of manufacturing and components suppliers, being EMS suppliers (Electronic Manufacturing Suppliers), Tier2 component suppliers and other component suppliers.

The Group collaborates with two EMS providers, which are responsible for sourcing the standard components whilst the Company is responsible for the customized components included in the products. In accordance with agreements entered into by the Group with a Swedish and a Polish company, the production is located in Russia and Poland through one of the EMS providers, and in Thailand through the other EMS provider, where the Group has entered into an agreement with a Thai company. The agreements with these EMS-companies regulate, inter alia, product design and specification.

Tier2 component suppliers supply customized components. The Group has negotiated agreements with such Tier2 suppliers, regarding, *inter alia*, prices and the EMS are then directed to purchase certain components from the Tier2 suppliers. The Group has entered into framework agreements regarding production and related services with numerous Tier2 suppliers.

The Group has one Tier2 supplier, Eclatron, that is essential to the Group's business, with whom Profoto has a long-standing relationship. Eclatron manufactures and supplies curved/round flash tubes made of hand-blown glass, which requires a certain kind of technology and competence. The components manufactured by Eclatron are part of Pro-11, D2, B1X and B10 family, standing for a significant part of Profoto's turnover. However, there is no written agreement in place between the Group and Eclatron (see also the risk factor "*The Company is dependent on supplies of components to the Company's products*" above). Instead, a consultancy agreement has been concluded with Jacob Consulting A.G., a company which is owned by the owner of Eclatron. The idea behind the consultancy agreement is to secure the supply of services and components similar to the ones provided by Eclatron, in the event that Eclatron cannot sufficiently supply the Group in accordance with its orders. In order to try and mitigate the risk of Eclatron being an important supplier, the Group has implemented a "category management" function that reviews this type of issues on an ongoing basis and one actual action that has been taken in respect of this is to keep "excess" stock of the relevant products.

### **Other component suppliers and consultancy agreements**

The Group has, in line with Profoto's asset-light business model, entered into several consultancy agreements of various importance to the Group's operations, such as e.g. in respect of R&D services, regulatory services and project management. The vast majority of the Company's consultancy agreements are based on the same consultancy template agreement. The template provides protection to preserve the relevant Group company's intellectual property rights, such as copyright, patents and trademarks, which shall remain the sole property of the Group company.

### **Financing agreement**

In June 2021 the Company entered into an agreement with Svenska Handelsbanken AB (publ) regarding a new multicurrency revolving credit facility of not more than SEK 250m (the "Facility"), which may be utilized by way of drawing of loans in SEK, EUR, NOK, USD, JPY, DKK (and such other currencies which are readily available and freely convertible into SEK and agreed from time to time). The maximum number of loans to be drawn under the Facility is ten, each for a minimum amount of SEK 25m.

The purpose of the Facility is to replace the previous loan financing in the Group as well as to provide financing for the Group's general corporate purposes following the IPO. Per the day of the Prospectus, no loans have been raised under the Facility. The Company's ability to utilize the credit facilities under the Facility will be subject to the completion of the IPO and other customary conditions for credit facilities of this nature, as well as certain repeating representations and warranties and the absence of certain events and circumstances. The Facility imposes certain undertakings relating to, inter alia, restrictions on disposal of assets, restrictions on the possibility to incur indebtedness, negative pledge, restrictions regarding change of business and compliance with applicable laws.

If the Company does not comply with its obligations pursuant to the Facility, Svenska Handelsbanken AB (publ) will be entitled to terminate the Facility and demand prepayment in full of all amounts outstanding thereunder. In addition, the Facility contains change of control provisions, which, under certain circumstances, will entitle Svenska Handelsbanken AB (publ) to cancel the commitment under the Facility and require prepayment of loans outstanding.

### **Agreements with logistics and warehouse partners**

The Group outsources its logistics and warehousing in line with Profoto's asset-light business model and has thus entered into several different kinds of agreements in relation to logistics and warehousing, such as warehouse operating agreements and logistics services agreements.

The Group has four warehousing centers worldwide that deliver to the Group's customers in the main markets. The warehouses are located in Sweden (Stockholm), US (New Jersey), China (Shanghai) and Japan (Tokyo). The main warehouse is located in Sweden and provides storage of all products, accessories and spare parts and handles incoming goods from all suppliers worldwide. Goods are then shipped to distribution markets, local warehouses (US, China, Japan), local markets with representation (France, UK, DACH) as well as direct to end customers through profoto.com.

### **Collaboration agreements**

Profoto AB has entered into certain collaboration agreements with manufacturers of consumer electronics, such as smartphones, regarding evaluation of the compatibility of Profoto's products with such collaborators products. This is a step in Profoto's efforts to further expand its operations in the smartphone market for professional photographers in accordance with Profoto's growth strategy.

### **Reorientation support and short-time work allowance**

During the 2020 financial year, Profoto was granted SEK 4.6m in so-called *reorientation support* (Sw. *omställningsstöd*) as well as SEK 7.1m in so-called *short-time work allowance* (Sw. *stöd vid korttidsarbete*), two different forms of economic allowance from the Swedish Government. The reorientation support is intended to help companies that have experienced considerable decrease in turnover due to the outbreak of covid-19 and the short-time work

allowance is intended to cover salary costs for companies that have experienced temporary and serious financial difficulties that could not have been foreseen or avoided, such as the outbreak of covid-19. Since these are allowances, neither the reorientation support or the short-time work allowance needs to be repaid. However, under certain circumstances, for example if the company resolves on certain value transfers such as dividends, the company may be liable to repay granted allowances.

In connection with the Offering, Profoto has carried out certain restructuring measures within the Group, including dividends payments from Profoto AB and Profoto Holding AB. The payment of these dividends entailed that Profoto reserved for repayment of the reorientation support as per 31 December 2020, and that Profoto subsequently also was liable to repay the granted reorientation support, which took place in April 2021. However, due to the time of the decision on the dividend payments, the restructuring measures do not affect the granted short-time work allowance.

### Regulatory environment

In general, Profoto's operations do not require regulatory or governmental approvals. However, different certifications of Profoto's products are required in different jurisdictions and markets, including, inter alia, that certain safety requirements are fulfilled. The

Group has engaged one partner in Germany and one partner in Taiwan to handle product certifications.

### Intellectual property

Intellectual property rights and patents form a key part of the product development and are used to secure the Company's current and future business. Patents encompass all different aspects of the products showcasing the multitude of expertise in different fields required to provide the best products in the photographic flash market. The Group holds patents in various categories, such as core flash technology (power electronics and related software), accessories and light shaping (mechanics, optics), connectivity and light control (software, radio technology), image processing (image technology software) and smartphone (connectivity, light control). In total, Profoto has 27 registered patents in Sweden, Germany, the EU, North America, China and Japan. 8 of these 27 are unique patents, i.e. some inventions have been registered in several jurisdictions. Furthermore, Profoto has 30 additional patents pending, where an application has been filed, but not yet been granted. Recent patents have mainly been in the area of image technology and connectivity related to smartphone photography.

The tables below show the patents the Group currently holds and the Group's active patent applications.

### Published patents

Country	Reg. Date	Title	End date
United States	6 August 2019	Method, Transmission Unit, System And Computer Program For Wireless Communication Between A Camera And At Least One Remote Flash Device	16 September 2034
United States	7 August 2018	Method, Transmission Unit, System And Computer Program For Wireless Communication Between A Camera And At Least One Remote Flash Device	16 September 2034
China	1 October 2019	Method, Transmission Unit, System And Computer Program For Wireless Communication Between A Camera And several Remote Flash Devices	16 September 2034
EPC	12 August 2020	A support ring for mounting of a soft box on a light source	
Germany	12 August 2020	A support ring for mounting of a soft box on a light source	28 October 2035
United States	5 February 2019	Support ring for mounting of a soft box on a light source	28 October 2035
China	1 October 2019	A support ring for mounting of a soft box on a light source	28 October 2035
United States	2 June 2020	Determination Of Starting Time For Flash Emitted From Flash Tube	5 September 2037
China	3 July 2020	A Flash Head And Extension Cable With Identification Electronics And A Flash Generator	25 February 2036
EPC	28 October 2020	A Flash Head And Extension Cable With Identification Electronics And A Flash Generator	
United States	25 September 2018	Flash Head And Extension Cable With Identification Electronics And A Flash Generator	25 February 2036
United States	9 July 2019	Flash Generator For A Flash Tube	26 October 2035
China	18 October 2019	A Flash Generator For A Flash Tube	26 October 2035
United States	22 September 2020	Flash Generator For A Flash Tube	26 October 2035

**Published patents**

<b>Country</b>	<b>Reg. Date</b>	<b>Title</b>	<b>End date</b>
Sweden	8 April 2020	A Flash Generator For A Flash Tube	26 October 2035
Japan	27 February 2020	A Flash Generator For A Flash Tube	26 October 2035
Germany	8 April 2020	A Flash Generator For A Flash Tube	26 October 2035
United States	23 August 2016	Generator For A Flash Device And A Method In A Generator For A Flash Device	6 September 2033
Sweden	30 September 2014	A generator for a flash device and a method in a generator for a flash device	6 September 2032
Germany	24 October 2018	Generator For A Flash Device And A Method of operating a generator for A Flash Device	6 September 2033
Japan	8 December 2017	A Driver Circuit For a Flash Tube	11 February 2034
China	29 September 2017	A Driver Circuit For a Flash Tube	11 February 2034
United States	16 August 2016	Driver Circuit For a Flash Tube	11 February 2034
Germany	6 May 2020	Method, Transmission Unit, System And Computer Program For Wireless Communication Between A Camera And At Least One Remote Flash Device	24 February 2034
United States	22 October 2019	Method, Transmission Unit, System And Computer Program For Wireless Communication Between A Camera And At Least One Remote Flash Device	24 February 2034
China	31 January 2020	Method, Transmission Unit, System And Computer Program For Wireless Communication Between A Camera And At Least One Remote Flash Device	24 February 2034
United States	13 March 2018	Method, Transmission Unit, System And Computer Program For Wireless Communication Between A Camera And At Least One Remote Flash Device	24 February 2034

**Active patent applications**

<b>Country</b>	<b>Title</b>
United States	Flash Device System
EPC	A Flash Housing for Photographic Purposes and a Method for Simulating a Flash Unit
China	A Flash Housing for Photographic Purposes and a Method for Simulating a Flash Unit
United States	A Flash Housing for Photographic Purposes and a Method for Simulating a Flash Unit
United States	A Flash Housing for Photographic Purposes, a Set Comprising s Flash Housing for Photographic Purposes and at least one Flash Light Shaping Tool, and a Flash Light Shaping Tool
EPC	A Flash Housing for Photographic Purposes, a Set Comprising s Flash Housing for Photographic Purposes and at least one Flash Light Shaping Tool, and a Flash Light Shaping Tool
China	A Flash Housing for Photographic Purposes, a Set Comprising s Flash Housing for Photographic Purposes and at least one Flash Light Shaping Tool, and a Flash Light Shaping Tool
PCT	A Portable Electronic Camera System, a Portable Electronic Camera Device and Method for obtaining a digital image
China	A Flash Generator Holder Device and a Flash System comprising a Flash Generator and a Holder Device

**Active patent applications**

<b>Country</b>	<b>Title</b>
PCT	A Flash Generator Holder Device and a Flash System comprising a Flash Generator and a Holder Device
EPC	A computer implemented method and a system for coordinating taking of a picture using a camera and initiation of a flash pulse of at least one flash device
China	A computer implemented method and a system for coordinating taking of a picture using a camera and initiation of a flash pulse of at least one flash device.
United States	A computer implemented method and a system for coordinating taking of a picture using a camera and initiation of a flash pulse of at least one flash device.
PCT	A computer implemented method and a system for coordinating taking of a picture using a camera and initiation of a flash pulse of at least one flash device
PCT	A Housing For An Intermediate Signal Transmission Unit And An Intermediate Signal Transmission Unit
PCT	External Light Source For Mobile Devices
EPC	Generator For A Flash Device And A Method In A Generator For A Flash Device
China	A method, software product, camera device and system for determining artificial lighting and camera settings
United States	A method, software product, camera device and system for determining artificial lighting and camera settings
EPC	A method, software product, camera device and system for determining artificial lighting and camera settings
PCT	A method, software product, camera device and system for determining artificial lighting and camera settings
China	Determination Of Starting Time For Flash Emitted From Flash Tube
EPC	Determination Of Starting Time For Flash Emitted From Flash Tube
PCT	Portable Electronic Camera Device
United States	A Flash Generator For A Flash Tube
China	A Flash Housing and a Method for controlling a Flash Light by Manual Rotation of a Zoom Element
EPC	A Flash Housing and a Method for controlling a Flash Light by Manual Rotation of a Zoom Element
United States	A Flash Housing and a Method for controlling a Flash Light by Manual Rotation of a Zoom Element
PCT	A Computer Implemented Method And A System For Coordinating Events In Portable Electronic Camera Devices
PCT	A Computer Implemented Method And A System For Obtaining a Camera Setting

In addition, the Company has several trademarks. “Profoto” is the main trademark that the Group has focused on. Two product model designations (A1 and C1) have been registered as trademarks (“Profoto A1” and “Profoto C1”, respectively), but most model designations have not been registered.

The Group has registered the eight trademarks listed below. Altogether, the registered trademarks cover a total of 40 jurisdictions, which include most of the jurisdictions in which the Group and its distributors are located.

- PROFOTO
- PROFOTO (device mark – the Profoto logo)
- Profoto The Light Shaping Company (device mark – the Profoto logo including said text)

- Profoto in Chinese script
- Profoto in simplified Chinese script
- Profoto (device mark – Chinese characters)
- Profoto A1
- Profoto C1

Registration of the trademark “PROFOTO” is currently pending in an additional nine jurisdictions.

Profoto has also 50 design rights registered in the EU, the UK, the US and China, and two applications pending in China. The main focus for registering design rights have been China, as the number of Chinese competitors has increased, while some weight has been put on the US as the most important market for the Group’s products.



### Disputes

The Group has not been part to any administrative procedures, legal proceedings or arbitration proceedings (including not yet settled cases and cases that Profoto is aware of that might arise) during the last twelve months, that had or could have material effects on the Company's or the Group's financial position or profitability. However, Profoto has, *inter alia*, objected against a competitor's use of certain technology which, according to Profoto, constitutes an infringement of one of Profoto's patents. The patent relates to one of the Company's volume products. Profoto has taken initial steps in the form of issuing so called warning letters. If no response is received by Profoto, or, alternatively, if the competitor refuses to cease the infringement, Profoto will file a suit against the competitor for patent infringement.

### Insurance

The Group's insurance coverage includes insurance to cover risks associated with the Group's operations, including, e.g. company insurance (including group insurance protection and property protection), cargo insurance, general and product liability insurance and liability insurance for board members and senior executives. Profoto believes that its insurance coverage is adequate and conforms to market practice.

### Placing Agreement

According to the terms of the Placing agreement, the Principal Owner undertakes to divest approximately 35.6 percent of the shares in the Company to the purchasers indicated by the Managers. Burken Invest AB and Nedergransta Förvaltning AB also intend to grant an Over-allotment option, whereby they pledge at the request of the Managers at the latest 30 days from the first day of trading in the Company's shares to divest an additional maximum of 15 percent of the shares in the Offering, corresponding to approximately 5.3 percent of the total number of shares in the Company. The Over-allotment option may only be exercised in order to cover possible over-allotments within the framework of the Offering.

Through the Placing Agreement, the Company makes customary representations and warranties to the Managers, primarily in relation to the information in the Prospectus being correct, the Prospectus and the Offering fulfilling requirements in laws and regulation and that there are no legal, or other, hindrances for the Company to enter into the agreement or for the completion of the Offering. Pursuant to the Placing Agreement, the Managers' commitment to indicate purchasers to or, if the Managers fail to do so, themselves acquire the shares comprised by the Offering is conditional upon, among other things, the representations and warranties that the Company and the Principal owner are correct. Under the Placing Agreement, the Company will, subject to customary qualifications, undertake to indemnify the Managers against certain claims under certain conditions.

Through the Placing Agreement, certain of the Principal Owner's shareholders including Burken Invest AB and Nedergransta Förvaltning AB and Profoto's shareholding board members and executive management, undertake, with customary conditions, not to sell its shares during the lock-up period (see further in section "*Share capital and ownership structure – Lock up-arrangements*"). Under the Placing Agreement, the Company also undertakes, not to (i) issue, offer, pledge, sell, undertake to sell or otherwise transfer or divest, directly or indirectly, any shares in the Company or any other securities which are convertible to or can be exercised or exchanged for such shares, or (ii) purchase or sell options or other instruments or enter into swap agreements or other arrangements which wholly or partly assign financial risk associated with owner-

ship of the Company to another party prior to 360 days at the earliest after the date when trading starts on Nasdaq Stockholm. The Managers may, however, grant exemptions from these limitations.

### Stabilization

In connection with the Offering, Carnegie may effect transactions aimed at supporting the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending not later than 30 calendar days thereafter. Carnegie is, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, Carnegie shall disclose that stabilization transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilization period, Carnegie will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

### Cornerstone Investors

Lannebo Fonder, Svolder AB, Herenco Holding and Strand Kapitalförvaltning (Cornerstone Investors) have, in relation to the Managers, the Principal Owner and the Company, undertaken to acquire in total 7,575,756 shares in the Offering, corresponding to approximately SEK 500m. Thus, following completion of the Offering, the Cornerstone Investors will hold approximately 18.9 percent of the number of shares and votes in the Company. The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments are made on the same terms and conditions as those applicable for other investors in the Offering. The Managers, the Principal Owner and the board of directors of the Company are of the opinion that the Cornerstone Investors' creditworthiness are sound and thus that they will be able to meet their respective undertakings. The Cornerstone Investors' undertakings are however not secured through any bank guarantee, blocked funds or pledge of collateral or similar arrangements. The Cornerstone Investors' undertakings are accompanied by certain conditions relating to, *inter alia*, a distribution of the Company's shares being achieved in conjunction with the Offering as well as the Offering being completed within a certain time. All Cornerstone Investors are available at the Company's address, P.O. Box 1264, SE-172 25, Sundbyberg, Sweden.

	Commitment, SEK	Commitment, number of shares	Commitment in % of the shares in the Company
<b>Cornerstone Investors</b>			
Lannebo Fonder	200,000,000	3,030,303	7.6
Svolder AB	100,000,000	1,515,151	3.8
Herenco Holding	100,000,000	1,515,151	3.8
Strand Kapitalförvaltning	100,000,000	1,515,151	3.8
<b>Total</b>	<b>500,000,000</b>	<b>7,575,756</b>	<b>18.9</b>

### Related party transactions

The Company has retained the Aligro Capital group, affiliated with Hans Eckerström, chairman of the board, regarding provision of certain services relating to the preparation of this Prospectus. A fixed fee of SEK 300,000 is payable to the Aligro Capital group for such services.

In connection with the annual shareholders' meeting in the Company held on 7 May 2021, it was resolved to settle certain intra-group loans between the Group and Profoto Invest, whereby it was resolved to finally settle receivables that companies within the Group had on Profoto Invest of SEK 136m, and receivables that Profoto Invest had on companies within the Group of SEK 83m.

Through an agreement dated 27 May 2021, Profoto AB entered into an arrangement with Conny Dufgran, one of Profoto's founders, regarding a final settlement of Conny Dufgran's remaining pension rights, which means that Conny Dufgran is entitled to compensation amounting to approximately SEK 1.6m from Profoto AB in the form of a one-off payment.

According to the Company's assessment, the above mentioned agreements have been entered on commercial terms. Other than the above, no material transactions with related parties have been carried out during the period covered by the historical financial information in the Prospectus and up until the date of the Prospectus.

For information on remuneration to the board of directors and senior executives, see *"Corporate governance – Remuneration to the members of the board of directors, CEO and executive management"*.

### Interests of advisors

The Managers provide financial advisory and other services to the Company and the Principal Owner in connection with the Offering, for which they will receive a commission amounting to a certain percent of the gross revenue of the shares sold in the Offering. In addition, the Principal Owner may choose to pay to the Managers a discretionary fee. The amount and allocation between the Managers is to be determined on the first day of trading in the Company's shares on Nasdaq Stockholm. The total compensation received by the Managers is dependent on the success of the Offering. The Company will not pay any commission to the Managers.

From time to time, the Managers may also provide services, in the ordinary course of business and in connection with other transactions, to the Principal Owner and the Company and parties affiliated to the Principal Owner and the Company.

In addition, Svenska Handelsbanken AB (publ) acts as a lender to the Company as further described under the heading *"Financing agreement"* above.

### Costs related to the Offering

The Company's costs associated with the listing on Nasdaq Stockholm and the Offering are expected to amount to approximately SEK 25m. Such costs primarily relate to costs for auditors, attorneys, printing of the Prospectus, costs related to management presentations, etc.

The Company will not receive any proceeds from the Offering.

### Approval from the SFSA

The Swedish Prospectus has been approved by the SFSA as competent authority under Regulation (EU) 2017/1129. The SFSA only approves the Swedish Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be consid-

ered as an endorsement of the issuer or the quality of the securities that are the subject of the Swedish Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. The Swedish Prospectus was approved by the SFSA on 21 June 2021.

The Swedish Prospectus is valid for up to twelve months from the date of approval. The obligation to supplement the Swedish Prospectus in the event of significant new circumstances, factual errors or material inaccuracies does not apply when the Swedish Prospectus is no longer valid.

### References to websites

Information available on Profoto's website or other websites that are referred to in the Prospectus does not form part of the Prospectus and has not been reviewed or approved by the SFSA unless such information has explicitly been incorporated into the Prospectus by reference.

### Documents available for inspection

During the period of validity of the Swedish Prospectus, the Company's and its subsidiaries' articles of association, and certificates of registration are available for inspection at the Company's head office. These documents are also available in electronic form on the Company's website, [www.profoto.com](http://www.profoto.com).

# Tax considerations in Sweden

Special tax rules apply to certain categories of companies. The tax consequences for each individual shareholder depend on such shareholder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences that could arise from the offering and the admission for trading of the shares in the Company on Nasdaq Stockholm, including the applicability and effect of foreign tax legislation and provisions in tax treaties. The tax legislation in the investor's home country and in the issuer's registration country may affect any income received from the shares.

Below is a summary of certain Swedish tax issues related to the Offering for private individuals and limited liability companies that are residents of Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide only general information regarding the shares in the Company as from the admission for trading on Nasdaq Stockholm.

The summary does not cover:

- situations where shares are held as current assets in business operations;
- situations where shares are held by a limited partnership or a partnership;
- situations where shares are held in an investment savings account (Sw. *investeringssparkonto*);
- the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds shares in the Company that are deemed to be held for business purposes (for tax purposes);
- the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;
- the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. *investeraravdrag*);
- foreign companies conducting business through a permanent establishment in Sweden; or
- foreign companies that have been Swedish companies.

## Private individuals

For private individuals resident in Sweden for tax purposes, capital income, such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate for the capital income category is 30 percent.

The capital gain or the capital loss is computed as the difference between the consideration, less selling expenses, and the acquisition value. The acquisition value for all shares of the same class and type shall be added together and computed collectively in accordance with the so-called average method (Sw. *genomsnittsmetoden*). As an alternative, the so-called standard method (Sw. *schablonmetoden*) may be used at the disposal of listed shares. This method means that the acquisition value may be determined as 20 percent of the consideration less selling expenses.

Capital losses on listed shares are fully deductible against taxable capital gains realized in the same year on shares, as well as on listed securities taxed as shares (however not mutual funds (Sw. *värdepappersfonder*) or hedge funds (Sw. *specialfonder*) containing Swedish receivables only (Sw. *räntefonder*)). 70 percent of capital losses not absorbed by these set-off rules are deductible in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 percent of the net loss that does not exceed SEK 100,000 and 21 percent of any remaining net loss. A net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

## Allotments of shares to employees

Normally, the allotment of shares is not a taxable event. However, for employees allotment of shares may in certain situations give rise to benefits taxation. Benefits taxation should, however, not occur if the employees (including board members and deputy

board members and existing shareholders), on the same terms and conditions as others, acquire not more than 20 percent of the total number of shares offered and the employee does not acquire shares for more than SEK 30,000.

## Limited liability companies

For limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 20.6 percent for financial years commencing 1 January 2021 at the earliest. Capital gains and capital losses are calculated in the same way as described for private individuals above.

Deductible capital losses on shares may only offset taxable capital gains on shares and other securities taxed as shares. A net capital loss on shares that cannot be utilized during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset against taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this treatment for a tax year having the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons (e.g. investment companies).

## Shareholders that are not tax resident in Sweden

For shareholders not resident in Sweden for tax purposes that receive dividends on shares of a Swedish limited liability company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The withholding tax rate is 30 percent. The tax rate is, however, generally

reduced under an applicable tax treaty. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. The tax treaties Sweden has entered into generally enable the withholding tax deduction to be made in accordance with the tax rate stipulated in the treaty, provided that Euroclear Sweden or the nominee, as applicable, has the required information of the tax residency of the investor entitled to the dividend. Further, investors entitled to reduced tax rates under applicable tax treaties may seek a refund from the Swedish tax authorities if the full withholding tax rate at 30 percent has been withheld.

Shareholders not resident in Sweden for tax purposes are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden due to a habitual abode in Sweden or a stay in Sweden for six consecutive months at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by tax treaties.

# Historical financial information

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Profoto Holding AB

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Q1

# Interim Report

January 1–March 31, 2021

## Financial summary of the first quarter of 2021

- Net sales increased by 3.1 percent to SEK 153m (148). Adjusted for currency effects, net sales increased by 13.2 percent.
- EBIT amounted to SEK 40m (13), an increase of 207.1 percent. Adjusted for currency effects, EBIT increased by 292.6 percent.
- The EBIT margin for the quarter was 25.9 percent (8.7).
- Adjusted EBIT<sup>1</sup> amounted to SEK 48m (14), an increase of 246.6 percent.
- The adjusted EBIT margin<sup>1</sup> for the quarter was 31.1 percent (9.3).
- Net profit for the period amounted to SEK 31m (10).
- Cash flow from operating activities totaled SEK 42m (39).
- Earnings per share (before and after dilution) amounted to SEK 62.17 (20.94).

## Significant events during the period

- Launch of Pro-11, a new generation studio flash.
- Pernilla Ekman and Helena Holmgren were elected to serve as new Board members at the Extraordinary General Meeting held on March 15.
- Gunilla Öhman was appointed Head of Investor Relations and joined the management team.

## Significant events after the end of the period

- The Board of Directors decided on financial targets: A growth rate of 10 percent in currency-adjusted net sales, an EBIT margin of 25-30 percent and a dividend payout ratio of >50 percent of net profit.
- The Board of Directors has proposed a dividend of SEK 156m to be paid to the Parent Company Profoto Invest AB.

Net sales, adjusted  
for currency effects<sup>1</sup>

**+13%**

Q1 2021 vs. Q1 2020

Adjusted EBIT  
margin<sup>1</sup>

**31%**

Q1 2021 (9% Q1 2020)

## Key ratios

Group

	2021 Jan–March	2020 Jan–March	Δ%	2020 full year
Net sales, SEKm	153	148	3.1	528
EBIT, SEKm	40	13	207.1	-12
EBIT margin, %	25.9	8.7	–	-2.2
Adjusted EBIT <sup>1</sup> , SEKm	48	14	246.6	56
Adjusted EBIT margin <sup>1</sup> , %	31.1	9.3	–	10.6
Net profit for the period, SEKm	31	10	196.9	-17
Cash flow from operating activities, SEKm	42	39	9.6	153
Net debt <sup>2</sup> , SEKm	-124	-7	1,637.9	-91
Net debt/EBITDA	-1.23	-0.03	–	-1.20
Earnings per share	62.17	20.94	196.9	-34.87

All amounts are in millions of SEK (SEKm) unless otherwise stated. Rounding differences of SEKm +/-1 may occur when adding up figures. Where an underlying figure is SEK 0m when rounded, it will be reported as 0. Figures in parentheses represent the same period last year.

1) For information and explanations regarding alternative performance measures, see pages 16–17.

2) A negative amount indicates a positive net cash position.

# Heading back with higher profitability

The pandemic had a severe negative impact on Profoto's market during the second and third quarters of 2020. Our most loyal customers, the professional photographers, had less and less to do. Canceled trips, trade fairs, weddings and sports events – that explains a lot. We worked hard to adapt our costs and we really did succeed at doing so. For example, after increasing the degree of outsourcing, we now have a completely different fixed cost base that will still allow us to continue to grow.

During the first quarter of 2021 we saw that China and Japan began to open up their societies, while Europe and North America continued to have restrictions and shutdowns. As vaccination campaigns gain momentum, we should see a return to a normal market that includes travel and normalization of the rate of weddings and sports events, which will provide good prospects for growth for Profoto.

Product development and new product launches are crucial to Profoto's growth, something we have not given up on during this time. During the quarter, we had a major launch – Profoto's new flagship product Pro-11, an upgrade to the Pro-10, which is used by many of the world's leading photographers. The Pro-11 is mainly purchased by rental studios and rental companies, which in turn rent it out to fashion photographers around the world. The launch has been highly successful.

Sales in the quarter increased by 13 percent on a currency-adjusted basis, while profit increased several-fold. Profitability is back at a very high level. While this is a good start, we are not yet back where we should be in terms of sales and growth.

Many companies have had problems with components and shipping during this quarter. I won't say that such problems did not affect us, but we have nevertheless been able to handle them, even if delivery times of some products increased marginally.

The field of photography and image creation has tremendous potential. Profoto is the world leader in lighting products for professional photographers, driving innovation and awareness of how to create better images through light. Light makes the difference between a good and a great image.



We have been preparing Profoto for an IPO on the Stockholm Stock Exchange for some time, in part to expand our ownership base and in part, to gain access to the Swedish and international capital markets – all for the purpose of promoting our continued growth and development. Now we are well prepared for this new step in Profoto's history.

So in essence – we are on the way back to our growth journey!

**Anders Hedeberg**  
President and CEO

# Financial overview

## First quarter, January 1-March 31, 2021

### Net sales

Net sales for the first quarter totaled SEK 153m (148), a 3.1 percent increase compared with the corresponding period the previous year. Adjusted for currency effects, sales increased by 13.2 percent during the first months of the year. During the quarter Profoto launched Pro-11, a new generation studio flash, that was well received on the market. In addition, sales of products used for photographing e-commerce products strengthened, while sales of products for event and wedding photography declined compared with the previous year. The company's assessment is that this is an effect of continued regional restrictions due to the coronavirus pandemic.

### Regions

Changes in sales by region, compared with the same period the previous year: Americas -14.6 percent, APAC +77.3 percent and EMEA -13.6 percent. For absolute figures by region, see Note 2. Growth in APAC is primarily attributable to a strong sales quarter, where the launch of the Pro-11 drove sales. In addition, the coronavirus pandemic negatively impacted sales in APAC during the corresponding quarter in 2020.

The negative growth in Americas and EMEA is the result of restrictions in the regions in Q1 2021, combined with the lower impact of the pandemic on the regions' sales, compared with the same period in 2020.

### Operating profit (EBIT)

During the first quarter, EBIT totaled SEK 40m (13), which corresponds to an EBIT margin of 25.9 percent (8.7). Adjusted for currency effects, EBIT<sup>1</sup> increased by 292.6 percent.

Adjusted EBIT<sup>1</sup> was SEK 48m (14) and adjusted EBIT margin was 31.1 percent (9.3). One-off expenses of SEK 8m are mainly attributable to costs related to the preparation for the IPO of Profoto.

The increase in EBIT is due to increased sales, as well as improved operational efficiency, which in turn is a result of the cost-saving program carried out in the second half of 2020. The increase in EBIT is due to lower other external expenses of SEK 34m (44) and personnel expenses of SEK 29m (41), compared with the same period the previous year.

### Financial items

Financial items were positively impacted by exchange gains on cash and cash equivalents of SEK 3m (2) during the first quarter and negatively by interest expense of SEK 1m (1). Interest expense mainly consists of interest on lease liabilities and utilized overdraft credit. Net financial items totaled SEK 3m (1). Intra-group receivables/liabilities in relation to the Parent Company Profoto Invest AB do not carry interest and are therefore not included in financial items.

### Net profit for the period and tax expense

Net profit for the period was SEK 31m (10). Tax expense was SEK 11m (4), of which SEK 14m (4) was current tax and SEK -3m (-1) related to a change in deferred taxes. The effective tax rate for the period was 26.4 percent (25.9). Since IPO-related expenses are not treated as deductible, the effective tax rate is affected and is therefore higher.

<sup>1</sup>) For information and explanations regarding alternative performance measures, see pages 16-17.

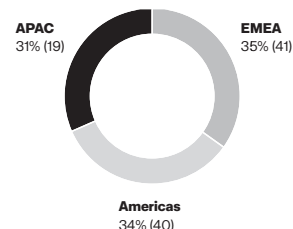
### Change in net sales

%

	2021 Jan-March
Net sales adjusted for currency effect	13.2
Currency effect	-10.1
<b>Total</b>	<b>3.1</b>

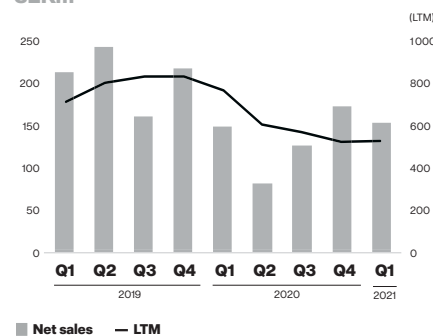
### Sales by region Jan-March 2021

%



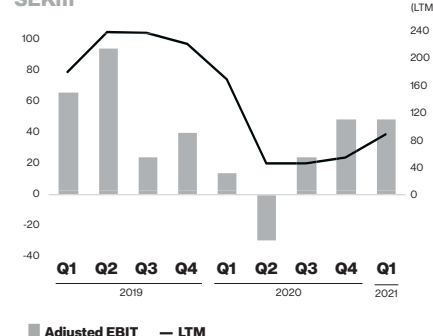
### Net sales by quarter and LTM

SEKm



### Adjusted EBIT<sup>1</sup> and LTM

SEKm



# Financial position and other information

## Investments

During the first quarter SEK 4m (6) were capitalized as internally generated development expenditure. Total research and development expenses that were expensed during the first quarter amounted to SEK 7m (13). These relate mainly to costs in the feasibility phase and project-wide administrative expenses that cannot be attributed to the development of specific products.

## Working capital, liquidity and cash flow

At the end of the first quarter, inventories totaled SEK 95m (153) and accounts receivables SEK 71m (55). Inventories decreased as a result of increased internal focus on reducing capital tied up in inventories and a decrease in sales. Accounts payables totaled SEK 33m (29) and other current liabilities were SEK 152m (194). Cash flow from operating activities for the quarter totaled SEK 42m (39).

## Depreciations and amortization

Depreciation/amortization during the first quarter amounted to SEK 14m (14). No impairment of intangible assets and property, plant and equipment was recognized in the first quarter of 2021. During the first quarter of 2020, impairment losses of SEK 2m were recognized on property, plant and equipment and intangible assets.

## Financial position

On March 31, 2021 consolidated equity totaled SEK 362m (353). Interest-bearing liabilities to credit institutions amounted to SEK 53m, an increase of SEK 9m from year-end 2020. New loans during the period mainly relate to the increased use of the overdraft facility in the US. Lease liabilities amounted to SEK 56m (63) under IFRS 16. The total lease liability decreased due to the liquidation of the Canadian subsidiary and the closure of local offices in Germany and France in 2020. The Group reported a net cash position of SEK 124m (7).

## Significant risks and uncertainties

The Profoto Group is an international group that is affected by a number of risks.

Operational risks include overall demand trends and demand for Profoto's products. An economic downturn in these markets could have a negative impact on the Group's sales and earnings. Changes in product technology and sales channels may also adversely affect the Group's sales and earnings.

One current risk, which negatively impacted the Profoto Group's sales and access to components, and which to some extent will remain even in future periods, is the coronavirus pandemic. Other relevant risks and uncertainties are described in the 2020 Annual Report and relate to industry and market risks, operational and legal risks, as well as financial risks.

## Employees

The average number of employees in the first quarter was 100 (148), of whom 38 (53) were employed in sales companies in China, Japan, the United States, Germany, France and the United Kingdom. The reduction in staff is an effect of the cost-saving program implemented in the second half of 2020.

## Parent Company

Profoto Holding AB is the Parent Company in the Group. Profoto Holding AB is in turn wholly owned by Profoto Invest AB, which is owned by the company's founder, Board members and senior executives.

The Parent Company is a holding company with management fees from other Group companies of SEK 2.9m (2.9) as its only income in the first quarter, and with personnel expenses and other external expenses related to management of the Group as expenses.

The operating profit/loss (EBIT) was SEK -6.9m (-0.2) for the first quarter. Current assets totaled SEK 234.4m (50.5) and short-term financial liabilities amounted to SEK 82.8m (77.1). The change is mainly attributable to a decrease in intra-group receivables and liabilities.

Profoto Holding AB has recognized financial income for full-year 2020 related to anticipated dividends from subsidiaries of SEK 183.8m.

## Summary of significant events after the end of the reporting period

The Board of Directors decided on financial targets: A growth rate of 10 percent in currency-adjusted net sales, an EBIT margin of 25-30 percent and a dividend payout ratio of >50 percent of net profit.

The Board of Directors has proposed a dividend of SEK 156m to be paid to the Parent Company Profoto Invest AB.

Stockholm May 5, 2021

## Anders Hedeback

President and CEO

# Auditor's review

We have conducted a review of the interim report for Profoto Holding AB as of March 31, 2021 and the period January 1 – March 31, 2021. The Board of Directors and the CEO are responsible for the preparation and fair presentation of this interim report in accordance with the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Focus and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of financial interim information conducted by the company's chosen auditor. A review involves making inquiries, primarily to persons responsible for financial matters and accounting issues, conducting an analytical review and performing other review procedures. A review has a different focus and a significantly smaller scope than the focus and scope of an audit in accordance with ISA and with generally accepted auditing practice. The review measures taken in a review do not allow us to obtain such a full understanding that we become aware of all the impor-

tant circumstances that could have been identified if an audit was carried out. Therefore, the stated conclusion based on a review does not have the assurance that an expressed conclusion based on an audit has.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim report is not prepared, in all material respects, in accordance with the Annual Accounts Act.

Stockholm May 6, 2021

## Therese Kjellberg

Authorized Public Accountant



# Other information

## About Profoto

Profoto was founded more than 50 years ago and since then has been the world leader in lighting products for professional photographers, driving innovation and awareness of how to create better images through light. Light makes the difference between a good and a great image. The customers include the world's leading photographers and Profoto is currently represented in over 50 markets worldwide. Net sales in 2020 amounted to SEK 528m. In all, 91 employees work at the headquarters in Stockholm and in subsidiaries in the United States, Japan, China, Germany, France and the United Kingdom.

## Financial calendar

Profoto Group Annual General Meeting, Sundbyberg – April 29, 2021  
Interim Report Q2 2021 – August 10, 2021  
Interim Report Q3 2021 – November 4, 2021  
Interim Report Q4 2021 – February 10, 2022

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Profoto Holding AB

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# Condensed consolidated financial statements

## Condensed consolidated statement of profit and loss

SEKm	Note	2021 Jan-March	2020 Jan-March	2020 full year
Net sales	2	153	148	528
Other operating income		3	6	3
<b>Total revenue</b>		<b>156</b>	<b>154</b>	<b>531</b>
Capitalized work for own account		4	6	21
Goods		-45	-45	-228
Other external expenses		-34	-44	-126
Personnel expenses		-29	-41	-120
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		-14	-16	-88
Other operating expenses		1	-1	-3
<b>Operating profit/loss (EBIT)</b>		<b>40</b>	<b>13</b>	<b>-12</b>
<b>Finance income and costs</b>				
Finance income		3	2	0
Finance costs		0	0	-8
<b>Profit/loss before tax</b>		<b>42</b>	<b>14</b>	<b>-20</b>
Tax		-11	-4	2
<b>Profit/loss for the period</b>		<b>31</b>	<b>10</b>	<b>-17</b>
<i>Attributable to:</i>				
Owners of the Parent Company		31	10	-17
Earnings per share, before and after dilution <sup>1</sup> , SEK		62.17	20.94	-34.87

1) Calculated based on 500,000 ordinary shares.

## Condensed consolidated statement of comprehensive income

SEKm	Note	2021 Jan-March	2020 Jan-March	2020 full year
Profit/loss for the period		31	10	-17
<i>Other comprehensive income, items that may be reclassified to the consolidated statement of profit and loss:</i>				
Translation differences for the period		-3	-4	4
<b>Total comprehensive income for the period</b>		<b>28</b>	<b>6</b>	<b>-13</b>
<i>Attributable to:</i>				
Parent Company shareholders		28	6	-13

## Cont. Financial information for the period January - March 2021

Profoto Holding AB

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## Condensed consolidated statement of financial position

SEKm	Note	March 31, 2021	March 31, 2020	Dec 31, 2020
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>	4			
Capitalized development expenditure		94	123	98
Software		18	24	19
Licenses		1	1	1
<b>Total intangible assets</b>		<b>114</b>	<b>148</b>	<b>118</b>
<b>Property, plant and equipment</b>				
Leased assets		54	61	54
Equipment, tools and installations		26	40	27
Leasehold improvements		4	6	4
<b>Total property, plant and equipment</b>		<b>84</b>	<b>106</b>	<b>86</b>
<b>Financial assets</b>		<b>2</b>	<b>3</b>	<b>2</b>
<b>Deferred tax assets</b>		<b>19</b>	<b>15</b>	<b>16</b>
<b>Total non-current assets</b>		<b>218</b>	<b>273</b>	<b>222</b>
<b>Current assets</b>				
<b>Inventories</b>		<b>95</b>	<b>153</b>	<b>94</b>
<b>Current receivables</b>				
Accounts receivables		71	55	67
Current tax assets		-	10	5
Current receivables from Group companies	3	102	91	20
Other current assets		2	1	3
Prepayments and accrued income		6	7	8
<b>Total current receivables</b>		<b>181</b>	<b>163</b>	<b>103</b>
<b>Cash and cash equivalents</b>		<b>215</b>	<b>81</b>	<b>254</b>
<b>Total current assets</b>		<b>491</b>	<b>397</b>	<b>451</b>
<b>TOTAL ASSETS</b>		<b>710</b>	<b>670</b>	<b>673</b>

## Cont. Financial information for the period January - March 2021

Profoto Holding AB

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SEKm	Note	March 31, 2021	March 31, 2020	Dec 31, 2020
<b>EQUITY AND LIABILITIES</b>				
<b>Total equity</b>		<b>362</b>	<b>353</b>	<b>334</b>
<b>Non-current liabilities</b>				
Liabilities to credit institutions		8	0	8
Lease liabilities		45	54	47
Provisions		8	9	5
Deferred tax liabilities		52	67	52
<b>Total non-current liabilities</b>		<b>114</b>	<b>131</b>	<b>112</b>
<b>Current liabilities</b>				
Liabilities to credit institutions		45	25	36
Lease liabilities		11	9	9
Provisions		4	6	7
Accounts payables		33	29	45
Current liabilities to Group companies	3	83	77	83
Current tax liabilities		2	-	-
Other current liabilities		5	3	6
Accrued expenses and deferred income		50	37	41
<b>Total current liabilities</b>		<b>234</b>	<b>187</b>	<b>228</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>710</b>	<b>670</b>	<b>673</b>

## Consolidated statement of changes in equity

SEKm	Share capital	Translation reserve	Retained earnings including profit for the period	Total equity
<b>Opening balance at January 1, 2021</b>	<b>0</b>	<b>-1</b>	<b>335</b>	<b>334</b>
Profit/loss for the period			31	31
Total other comprehensive income		-3		-3
<b>Total comprehensive income</b>	<b>0</b>	<b>-3</b>	<b>31</b>	<b>28</b>
<b>Closing balance March 31, 2021</b>	<b>0</b>	<b>-4</b>	<b>366</b>	<b>362</b>
<b>Opening balance at January 1, 2020</b>	<b>0</b>	<b>-5</b>	<b>352</b>	<b>347</b>
Profit/loss for the period			10	10
Total other comprehensive income		-4		-4
<b>Total comprehensive income</b>	<b>0</b>	<b>-4</b>	<b>10</b>	<b>6</b>
<b>Closing balance March 31, 2020</b>	<b>0</b>	<b>-9</b>	<b>362</b>	<b>353</b>

## Cont. Financial information for the period January - March 2021

Profoto Holding AB

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## Consolidated statement of cash flows

SEKm	Note	2021 Jan-March	2020 Jan-March	2020 full year
<b>Cash flow from operating activities</b>				
Operating profit/loss		40	13	-12
Adjustments for non-cash items:				
Depreciation, amortization and impairment		14	16	88 <sup>1</sup>
Adjustments for other non-cash items		1	0	46 <sup>1</sup>
Interest received		0	0	0
Interest paid		-1	-1	-3
Income tax paid		-7	-10	-10
<b>Cash flow from operating activities before changes in working capital</b>		<b>48</b>	<b>18</b>	<b>108</b>
<b>Changes in working capital</b>				
Decrease (+) / increase (-) in inventories		-1	17	44
Decrease (+) / increase (-) in accounts receivables		-6	39	29
Decrease (+) / increase (-) in other receivables		4	4	0
Decrease (-) / increase (+) in accounts payables		-11	-30	-12
Decrease (-) / increase (+) in other current liabilities		8	-10	-16
<b>Cash flow from operating activities</b>		<b>42</b>	<b>39</b>	<b>153</b>
<b>Investing activities</b>				
Investments in intangible assets		-4	-5	-22
Acquisition of property, plant and equipment		-1	-2	-7
Given intra-group loans <sup>2</sup>		-83	-4	-
Repaid intra-group loans <sup>2</sup>		-	-	67
<b>Cash flow from investing activities</b>		<b>-88</b>	<b>-11</b>	<b>38</b>
<b>Financing activities</b>				
Repayment of external loans		0	-2	-12
Amortization of lease liabilities		-3	-2	-8
New loans		12	10	36
Group contributions paid		-	0	-
<b>Cash flow from financing activities</b>		<b>9</b>	<b>6</b>	<b>16</b>
Cash flow for the period		-37	34	208
Cash and cash equivalents at beginning of period		254	52	52
Exchange rate differences in cash and cash equivalents		-3	-5	-5
<b>Cash and cash equivalents at end of period</b>		<b>215</b>	<b>81</b>	<b>254</b>

1) Full-year 2020 includes impairment losses for property, plant and equipment and intangible assets of a total of SEK 29m (0), impairment losses for inventories of a total of SEK 48m (0) and other for a total of SEK -2m (1).

2) Relates to loan to Profoto Invest AB, see note 3



# Condensed Parent Company financial statements

## Condensed Parent Company income statement

SEKm	Note	2021 Jan-March	2020 Jan-March	2020 full year
Net sales		2.9	2.9	11.7
<b>Operating expenses</b>				
Other external expenses		-7.2	-0.7	-2.0
Personnel expenses		-2.6	-2.5	-9.3
Other operating expenses		0.0	0.0	0.0
<b>Operating profit/loss (EBIT)</b>		<b>-6.9</b>	<b>-0.2</b>	<b>0.5</b>
<b>Profit/loss from financial items</b>				
Income from participations in Group companies		-	-	183.8
Interest and similar expenses		0.0	0.0	0.0
<b>Profit/loss after financial items</b>		<b>-6.9</b>	<b>-0.2</b>	<b>184.3</b>
Appropriations		-	-	-27.5
<b>Profit/loss before tax</b>		<b>-6.9</b>	<b>-0.2</b>	<b>156.8</b>
Tax on profit for the period		0.0	0.0	5.5
<b>Profit/loss for the period</b>		<b>-6.9</b>	<b>-0.2</b>	<b>162.3</b>

## Cont. Financial information for the period January - March 2021

Profoto Holding AB

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## Parent Company balance sheet

SEKm	Note	March 31, 2021	March 31, 2020	Dec 31, 2020
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Financial assets</b>				
Participations in Group companies		32.0	32.0	32.0
<b>Total non-current assets</b>		<b>32.0</b>	<b>32.0</b>	<b>32.0</b>
<b>Deferred tax assets</b>		<b>6.1</b>	<b>-</b>	<b>6.1</b>
<b>Current assets</b>				
Current tax assets		0.1	0.7	-
Current receivables from Group companies		233.3	49.5	233.3
Other current assets		0.8	0.0	0.6
Prepayments and accrued income		0.1	0.1	0.1
<b>Total current receivables</b>		<b>234.3</b>	<b>50.3</b>	<b>234.0</b>
<b>Cash and cash equivalents</b>		<b>0.1</b>	<b>0.2</b>	<b>0.3</b>
<b>Total current assets</b>		<b>234.4</b>	<b>50.5</b>	<b>234.3</b>
<b>TOTAL ASSETS</b>		<b>272.4</b>	<b>82.5</b>	<b>272.4</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Restricted equity</b>				
Share capital		0.1	0.1	0.1
<b>Total restricted equity</b>		<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Unrestricted equity</b>				
Retained earnings		184.3	0.2	22.0
Profit/loss for the period		-6.9	-0.2	162.3
<b>Total unrestricted equity</b>		<b>177.4</b>	<b>0.0</b>	<b>184.3</b>
<b>Total equity</b>		<b>177.5</b>	<b>0.1</b>	<b>184.4</b>
<b>Current liabilities</b>				
Accounts payables		0.5	0.3	0.4
Current liabilities to Group companies		82.8	77.1	82.8
Other current liabilities		0.9	0.9	1.0
Accrued expenses and deferred income		10.7	4.1	3.8
<b>Total current liabilities</b>		<b>94.9</b>	<b>82.4</b>	<b>88.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>272.4</b>	<b>82.5</b>	<b>272.4</b>

## Cont. Financial information for the period January - March 2021

Profoto Holding AB

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## Condensed Parent Company statement of cash flows

SEKm	Note	2021 Jan-March	2020 Jan-March	2020 full year
<b>Cash flow from operating activities</b>				
Operating profit/loss		-6.9	-0.2	0.5
Income tax paid		-0.1	-0.1	0.0
<b>Cash flow from operating activities before changes in working capital</b>		<b>-7.0</b>	<b>-0.4</b>	<b>0.5</b>
<b>Changes in working capital</b>				
Decrease (+) / increase (-) in other receivables		-0.1	-1.3	-0.1
Decrease (-) / increase (+) in accounts payables		0.1	-0.3	-0.2
Decrease (-) / increase (+) in other current liabilities		6.8	1.0	-0.3
<b>Cash flow from operating activities</b>		<b>-0.2</b>	<b>-1.0</b>	<b>-0.2</b>
<b>Cash flow from investing activities</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Financing activities</b>				
Change in intercompany liabilities		0.0	1.3	0.0
Change in short-term financial liabilities		-0.1	0.0	0.5
<b>Cash flow from financing activities</b>		<b>-0.1</b>	<b>0.0</b>	<b>0.5</b>
Cash flow for the period		-0.2	0.4	0.3
Cash and cash equivalents at beginning of period		0.3	-0.2	0.0
<b>Cash and cash equivalents at end of period</b>		<b>0.1</b>	<b>0.2</b>	<b>0.3</b>

# Notes

## Note 1 Accounting policies and general information

This interim report for the Group has been prepared in accordance with IAS 34 "Interim Financial Reporting" and applicable provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with Chapter 9, Interim Reports, in the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34 are presented in the financial statements and their notes, as well as in the remaining sections of the interim report.

The same accounting policies and calculation basis as in the last annual report have been applied for the Group and the Parent Company.

There are no material differences between the fair value and the carrying amount of financial assets or liabilities.

## Note 2 Operating segments and allocation of revenue

The Profoto Group consists of a single operating segment. Product development, sourcing, manufacturing and marketing are all managed at Group level, while sales are conducted in three regions, EMEA, Americas and APAC. Internal monthly follow-up focuses on the Group as a whole in addition to the geographical sales data that are presented at levels other than the Group level. Revenue is recognized when control is transferred to the customers, which coincides with the time of delivery.

SEKm	2021 Jan-March	2020 Jan-March	2020 full year
- EMEA	53	61	199
- Americas	51	60	189
- APAC	48	27	141
<b>Total net sales</b>	<b>153</b>	<b>148</b>	<b>528</b>

## Note 3 Related party transactions

Related party transactions include payments to Board members and senior executives, as well as intra-group transactions with the ultimate Parent Company. Remuneration levels are on terms equivalent to those that prevail in commercial transactions and are presented in the annual accounts.

Transactions with the ultimate Parent Company Profoto Invest AB consist of intercompany loans, anticipated dividends, shareholder contributions and Group contributions from Profoto Holding AB to Profoto Invest AB. The purpose of the loan to the Parent Company is to finance the repayment of external loans to credit institutions. The loan to the Parent Company is interest-free. Closing balances are presented in the table for the Group and the Parent Company, respectively.

Group SEKm	2021 March 31	2020 March 31	2020 Dec 31
Receivables from Parent Company	102	91	20
Liabilities to Parent Company	-83	-77	-83
<b>Total</b>	<b>19</b>	<b>14</b>	<b>-63</b>

Parent Company SEKm	2021 March 31	2020 March 31	2020 Dec 31
Intercompany receivables	233.3 <sup>1</sup>	49.5	233.3
Liabilities to Parent Company	-82.8 <sup>2</sup>	-77.1	-82.8
<b>Total</b>	<b>150.5</b>	<b>-27.6</b>	<b>150.5</b>

1) Of which the entire amount relates to receivables from subsidiaries of the Holding Group. Significant items included in the amount are anticipated dividends from subsidiaries of SEK 183.8m.

2) Significant items included in liabilities to the Parent Company are a receivable for shareholder contributions totaling SEK 21.8m and a liability for Group contributions totaling SEK -27.5m.

## Cont. Financial information for the period January - March 2021

Profoto Holding AB

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**Note 4 Intangible assets**

SEKm	Capitalized development expenditure	Software	Licenses	Total
<b>Opening acquisition value January 1, 2021</b>	<b>214</b>	<b>31</b>	<b>2</b>	<b>246</b>
Acquisition	-	-	-	-
Capitalized development expenditure	4	-	-	4
<b>Closing accumulated acquisition value March 31, 2021</b>	<b>218</b>	<b>31</b>	<b>2</b>	<b>250</b>
<b>Opening amortization January 1, 2021</b>	<b>-97</b>	<b>-12</b>	<b>-1</b>	<b>-109</b>
Amortization for the period	-8	-1	0	-9
<b>Closing accumulated amortization March 31, 2021</b>	<b>-105</b>	<b>-13</b>	<b>-1</b>	<b>-118</b>
<b>Opening impairment January 1, 2021</b>	<b>-19</b>	<b>-</b>	<b>-</b>	<b>-19</b>
<b>Closing accumulated impairment March 31, 2021</b>	<b>-19</b>	<b>-</b>	<b>-</b>	<b>-19</b>
<b>Carrying amount March 31, 2021</b>	<b>94</b>	<b>18</b>	<b>1</b>	<b>114</b>
<hr/>				
<b>Opening acquisition value January 1, 2020</b>	<b>193</b>	<b>31</b>	<b>2</b>	<b>225</b>
Capitalized development expenditure	5	-	-	5
<b>Closing accumulated acquisition value March 31, 2020</b>	<b>198</b>	<b>31</b>	<b>2</b>	<b>231</b>
<b>Opening amortization January 1, 2020</b>	<b>-67</b>	<b>-5</b>	<b>-1</b>	<b>-73</b>
Amortization for the period	-7	-2	0	-9
<b>Closing accumulated amortization March 31, 2020</b>	<b>-74</b>	<b>-7</b>	<b>-1</b>	<b>-82</b>
<b>Opening impairment January 1, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing accumulated impairment March 31, 2020</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Carrying amount March 31, 2020</b>	<b>123</b>	<b>24</b>	<b>1</b>	<b>148</b>

**Note 5 Pledged assets and contingent liabilities**

Group SEKm	2021 March 31	2020 March 31	2020 Dec 31
<b>Pledged collateral</b>			
Company mortgages	40	40	40
<b>Total</b>	<b>40</b>	<b>40</b>	<b>40</b>
<b>Contingent liabilities</b>			
Swedish Customs Service	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

Profoto Holding AB has issued a general guarantee to benefit Profoto AB, 556115-5838, in the form of a company mortgage to banks.

The Parent Company (Profoto Holding AB) has provided a guarantee for its British subsidiary (Profoto Limited) for fiscal year 2020, pursuant to 479C of the UK Companies Act 2006. The guarantee relates to the liabilities of the British subsidiary but is never used. The guarantee is not valid for fiscal year 2021. None of these guarantees could be considered contingent liabilities, since the probability that the guarantees would be called in for payment is extremely low.

Parent Company SEKm	2021 March 31	2020 March 31	2020 Dec 31
<b>Pledged collateral</b>			
Company mortgages	40	40	40
<b>Total</b>	<b>40</b>	<b>40</b>	<b>40</b>



# Explanations alternative performance measures

## Adjusted operating profit/loss (adjusted EBIT)

Alternative performance measures are used to describe trends in the business and to increase comparability between periods. Adjustments include significant effects from impairment of inventories, as well as development costs and IPO-related expenses. During the first quarter of 2021, adjustments were made for other external costs associated with costs related to IPO preparations in 2021. During full-year 2020, adjustments were made for property, plant and equipment, intangible assets, inventories and government grants received that were deemed to affect comparability. The impairment losses were attributable to sales from a certain product group that generally failed to meet expectations and these sales are not expected to increase during the coming year.

Adjusted items have a significant impact on EBIT. These are business-related events involving material amounts that have not occurred to the same extent in the past, and where the likelihood is low that similar transactions will occur in future periods. In order to provide a good understanding of Profoto's operating activities and what EBIT would have looked like without these items, the company has chosen to present adjusted EBIT without items affecting comparability.

The table below shows profit/loss from the company's operating activities excluding items affecting comparability.

SEKm	2021 Jan–March	2020 Jan–March	2020 full year
Net sales	153	148	528
Operating profit/loss (EBIT)	40	13	-12
Less items affecting comparability	8	–	68
Government grant for short-term work	–	–	-7
IPO-related expenses	8	–	–
Impairment of inventories	–	–	48
Impairment of property, plant, equipment and intangible assets	–	1	27
<b>Adjusted operating profit (EBIT)</b>	<b>48</b>	<b>14</b>	<b>56</b>
<b>Adjusted EBIT margin, %</b>	<b>31.1</b>	<b>9.3</b>	<b>10.6</b>

## Adjusted EBIT margin, %

Adjusted EBIT in percent of net sales. Shows adjusted operating profit or loss in relation to net sales and is a measure of the profitability of the company's operating activities excluding items affecting comparability.

## EBIT adjusted for currency effect, %

Percentage change in EBIT, translated at the previous year's transaction-based daily average exchange rate. Shows the change in profit or loss in operating activities, excluding the effects of exchange rates.

%	2021 Jan–March
Change in EBIT	207.1
Currency effect	85.5
<b>EBIT adjusted for currency effect</b>	<b>292.6</b>

## EBIT

Profit or loss before financial items and tax. Shows the profit or loss from the company's operating activities.

## EBIT margin, %

Adjusted EBIT in percent of net sales. Shows operating profit or loss in relation to net sales and is a measure of the profitability of the company's operating activities.

## EBITDA

EBITDA (earnings before interest, taxes, depreciation and amortization) is operating profit or loss plus depreciation and amortization. EBITDA provides a picture of the ability of the business to generate resources for investments and payments to financiers, see table below.

SEKm	2021 Jan–March	2020 Jan–March	2020 full year
Operating profit/loss (EBIT)	40	13	-12
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	14	16	88
<b>EBITDA</b>	<b>54</b>	<b>29</b>	<b>76</b>

## Cont. Financial information for the period January - March 2021

Profoto Holding AB

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**Items affecting comparability**

Business transactions that represent the difference between operating profit/loss (EBIT) and adjusted operating profit/loss. These are transactions such as significant impairment of inventories and property, plant and equipment/intangible assets and IPO-related expenses, which by nature are unusual and have a material impact on earnings. The transactions play an important role in understanding underlying business development.

**Net debt**

Interest-bearing liabilities, minus cash and cash equivalents. A measurement of the company's financial position. Shows how much cash would remain if all debts were paid off. A negative amount indicates a positive net cash position.

SEKm	2021 March 31	2020 March 31
Liabilities to credit institutions, non-current	8	0
Lease liabilities, non-current	45	54
Liabilities to financial institutions, current	45	25
Lease liabilities, current	11	9
Current liabilities to Group companies	83	77
Current receivables from Group companies	-102	-91
Cash and cash equivalents	-215	-81
<b>Net debt</b>	<b>-124</b>	<b>-7</b>

**Net debt/EBITDA**

Net debt in relation to EBITDA over the past rolling twelve months. A measure of financial risk, as well as an indication of repayment capacity.

SEKm	2021 March 31	2020 March 31
Net debt	-124	-7
EBITDA, LTM	101	219
<b>Net debt/EBITDA LTM, quota</b>	<b>-1.23</b>	<b>-0.03</b>

**Net sales adjusted for currency effect, %**

Change in net sales for the period, translated at the previous period's transaction-based daily average exchange rate. Shows whether a company is growing or shrinking, excluding exchange rate effects.

%	2021 Jan-March
Change in net sales	3.1
Currency effect	10.1
<b>Net sales adjusted for currency effect</b>	<b>13.2</b>

Performance measure by quarter	2021	2020				2019		
	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun
Net sales, SEKm	153	173	126	81	148	217	161	242
EBIT, SEKm	40	46	-48	-23	13	39	24	93
EBIT margin, %	25.9	26.6	-38.0	-28.6	8.7	18.1	15.2	38.6
Adjusted EBIT, SEKm	48	48	24	-30	14	39	24	93
Adjusted EBIT margin, %	31.1	27.7	18.9	-36.6	9.3	18.1	15.2	38.6
Profit for the period, SEKm	31	33	-39	-21	10	37	18	72
Net debt, SEKm	-124	-91	-30	-3	-7	23	21	39
EBITDA LTM, SEKm	101	76	66	108	219	264	276	270
Net debt/EBITDA	-1.23	-1.20	-0.45	-0.02	-0.03	0.09	0.08	0.15
Earnings per share, SEK	62.17	65.43	-78.51	-42.72	20.94	74.32	36.06	143.98

# Definitions

**Average number of employees**

Average number of full-time employees during the period.

**Earnings per share**

Profit for the period attributable to the shareholders of the Parent Company, divided by the weighted average number of shares outstanding during the period.

**LTM**

The last twelve months; twelve-month period ending on the date specified.

**Parent Company**

Profoto Holding AB, a limited liability company subject to Swedish jurisdiction.

**Profoto Group/the Group**

The Group or the Profoto Group consists of the Parent Company, as well as direct and indirect subsidiaries. The terms are used interchangeably.

**Region EMEA**

Africa, Europe including Turkey and Russia, as well as the Middle East.

**Region APAC**

Oceania and Asia with the exception of Russia, Turkey and the Middle East.

**Region Americas**

Central America, North America and South America.

**Financial information for the financial years 2018 - 2020**  
**The Group's income statements**

SEKm	Note	Jan 1, 2020 Dec 31, 2020	Jan 1, 2019 Dec 31, 2019	Jan 1, 2018 Dec 31, 2018
Net sales	5, 6	528	833	679
Other operating income	7	3	7	10
<b>Total revenue</b>		<b>531</b>	<b>840</b>	<b>689</b>
Capitalized work for own account	16	21	24	26
Goods	18, 23	-228	-253	-224
Other external expenses	8, 9	-126	-187	-156
Personnel expenses	10, 23	-120	-157	-126
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	16, 17, 23	-88	-42	-24
Other operating expenses	11	-3	-3	-3
<b>Operating profit/loss (EBIT)</b>		<b>-12</b>	<b>222</b>	<b>183</b>
<b>Finance income and costs</b>				
Finance income	12	0	2	1
Finance cost	13	-8	-3	-4
<b>Profit/Loss before tax</b>		<b>-20</b>	<b>220</b>	<b>180</b>
Tax	14	2	-43	-31
<b>Profit/Loss for the year</b>		<b>-17</b>	<b>177</b>	<b>148</b>
Attributable to:				
Owners of the Parent Company		-17	177	148
Earnings per share, before and after dilution*, SEK		-34.87	354.46	188.15

\* Calculated based on 500,000 ordinary shares

**The Group's statement of comprehensive income**

SEKm	Note	Jan 1, 2020 Dec 31, 2020	Jan 1, 2019 Dec 31, 2019	Jan 1, 2018 Dec 31, 2018
Profit/Loss for the year		-17	177	148
<b>Other comprehensive income, items that may be reclassified to the consolidated statement of profit and loss:</b>				
Translation differences for the year		4	-4	1
<b>Total comprehensive income for the year</b>		<b>-13</b>	<b>173</b>	<b>149</b>
Attributable to:				
Parent Company shareholders		-13	173	149

*The Group's balance sheets*

SEKm	Note	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>	16			
Capitalized development expenditure		98	125	119
Software		19	25	27
Licenses		1	1	2
<b>Total intangible assets</b>		<b>118</b>	<b>152</b>	<b>148</b>
<b>Property, plant and equipment</b>	17			
Leased assets	9	54	63	–
Equipment, tools and installations		27	41	35
Leasehold improvements		4	6	4
<b>Total property, plant and equipment</b>		<b>86</b>	<b>110</b>	<b>39</b>
<b>Financial assets</b>		<b>2</b>	<b>2</b>	<b>1</b>
<b>Deferred tax assets</b>	14	<b>16</b>	<b>14</b>	<b>11</b>
<b>Total non-current assets</b>		<b>222</b>	<b>278</b>	<b>199</b>
<b>Current assets</b>				
<b>Inventories</b>	18	<b>94</b>	<b>172</b>	<b>89</b>
<b>Current receivables</b>				
Accounts receivables	4, 19	67	95	97
Current tax assets		5	4	21
Current receivables from Group companies	29	20	87	–
Other current assets		3	6	18
Prepayments and accrued income	20	8	6	4
<b>Total current receivables</b>		<b>103</b>	<b>197</b>	<b>140</b>
<b>Cash and cash equivalents</b>	21	<b>254</b>	<b>52</b>	<b>45</b>
<b>Total current assets</b>		<b>451</b>	<b>421</b>	<b>275</b>
<b>TOTAL ASSETS</b>		<b>673</b>	<b>698</b>	<b>474</b>



**Cont. The Group's balance sheets**

SEKm	Note	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	22	0	0	0
Reserves		-1	-5	-1
Retained earnings, including profit/loss for the year		335	352	201
<b>Total equity</b>		<b>334</b>	<b>347</b>	<b>200</b>
<b>Non-current liabilities</b>				
Liabilities to credit institutions	4, 25	8	0	0
Lease liabilities	9	47	55	-
Provisions	24	5	8	5
Deferred tax liabilities	14	52	67	62
<b>Total non-current liabilities</b>		<b>112</b>	<b>130</b>	<b>67</b>
<b>Current liabilities</b>				
Liabilities to credit institutions	4, 25	36	20	1
Lease liabilities	9	9	9	-
Provisions	24	7	7	8
Accounts payables		45	58	66
Current liabilities to Group companies	29	83	77	93
Current tax liabilities		0	0	-
Other current liabilities		6	7	8
Accrued expenses and deferred income	26	41	43	31
<b>Total current liabilities</b>		<b>227</b>	<b>221</b>	<b>207</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>673</b>	<b>698</b>	<b>474</b>

*The Group's changes in equity*

SEKm	Share capital	Translation reserve	Retained earnings including profit/loss for the year	Total equity*
<b>Opening balance at January 1, 2018</b>	<b>0</b>	<b>-2</b>	<b>186</b>	<b>185</b>
Profit/Loss for the year			148	148
Total other comprehensive income		1	1	1
<b>Total comprehensive income</b>	<b>0</b>	<b>1</b>	<b>149</b>	<b>149</b>
Paid Group contributions before tax			-54	-54
Tax on Group contributions			-80	-80
<b>Closing balance at December 31, 2018</b>	<b>0</b>	<b>-1</b>	<b>201</b>	<b>200</b>
<b>Opening balance at January 1, 2019</b>	<b>0</b>	<b>-1</b>	<b>201</b>	<b>200</b>
Profit/Loss for the year			177	177
Total other comprehensive income		-4	-	-4
<b>Total comprehensive income</b>		<b>-4</b>	<b>177</b>	<b>173</b>
Paid Group contributions before tax	-	-	-33	-33
Tax on Group contributions	-	-	8	8
<b>Closing balance at December 31, 2019</b>	<b>0</b>	<b>-5</b>	<b>352</b>	<b>347</b>
<b>Opening balance at January 1, 2020</b>	<b>0</b>	<b>-5</b>	<b>352</b>	<b>347</b>
Profit/Loss for the year			-17	-17
Total other comprehensive income		4	-	4
<b>Total comprehensive income</b>		<b>4</b>	<b>-17</b>	<b>-13</b>
Shareholder contribution			22	22
Paid Group contributions before tax			-27	-27
Tax on Group contributions			5	5
<b>Closing balance at December 31, 2020</b>	<b>0</b>	<b>-1</b>	<b>335</b>	<b>334</b>

\* Attributable to Parent Company shareholders

**The Group's statements of cash flows**

SEKm	Note	Jan 1, 2020 Dec 31, 2020	Jan 1, 2019 Dec 31, 2019	Jan 1, 2018 Dec 31, 2018
<b>Cash flow from operating activities</b>				
Operating profit		-12	222	183
Adjustments for non-cash items:	27			
Depreciation, amortization and impairment		88	42	19
Adjustments for other non-cash items		46	1	15
Interest received		0	0	0
Interest paid		-3	-1	-1
Income tax paid		-10	-24	-31
<b>Cash flow from operating activities before changes in working capital</b>		<b>108</b>	<b>241</b>	<b>184</b>
<b>Changes in working capital</b>				
Decrease (+) / increase (-) in inventories		44	-76	-17
Decrease (+) / increase (-) in accounts receivables		29	7	-11
Decrease (+) / increase (-) in other receivables		0	5	-11
Decrease (-) / increase (+) in accounts payables		-12	-13	-3
Decrease (-) / increase (+) in other current liabilities		-16	7	6
<b>Cash flow from operating activities</b>		<b>153</b>	<b>171</b>	<b>148</b>
<b>Investing activities</b>				
Investments in intangible assets		-22	-28	-70
Acquisition of property, plant and equipment		-7	-17	-14
Given intra-group loans		-	-89	-1
Repaid intra-group loans		67	-	-
<b>Cash flow from investing activities</b>		<b>38</b>	<b>-133</b>	<b>-85</b>
<b>Financing activities</b>				
	27			
Repayment of loans to group companies		-	-16	-41
Repayment of other external loans		-12	-	-4
Amortization of lease liabilities		-8	-8	-
New loans		36	19	-
Group contributions paid		-	-26	-
<b>Cash flow from financing activities</b>		<b>16</b>	<b>-32</b>	<b>-45</b>
Cash flow for the year		208	6	19
Cash and cash equivalents at beginning of year		52	45	26
Exchange rate differences in cash and cash equivalents		-5	0	0
<b>Cash and cash equivalents at end of year</b>		<b>254</b>	<b>52</b>	<b>45</b>

\* The cashflow for financial year 2018 doesn't correspond to the annual report 2018-2019, since intra-group receivables and payables have been reclassified from the operating activities to the financing activities, in accordance with the annual report 2020.

### Notes to the financial statements

All numbers in SEK millions unless otherwise specified.

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#### Note 1 General information

Profoto Holding AB, corporate identity number 556115-5838, is a limited company registered in Sweden with its registered office in Sundbyberg. The Company's headquarters are located at Landsvägen 57, Box 1264, SE-172 25 Sundbyberg. The operations of the Company and its subsidiaries ("the Group") include the manufacture and sale of studio flash systems and other accessories in the professional photo industry. The composition of the Group is described in Note 15.

Profoto Holding AB is a wholly owned subsidiary of Profoto Invest

AB, corporate identity number 559099-2326, with its registered office in Sundbyberg. Profoto Invest AB is the parent company in the largest group in which Profoto Holding AB is a subsidiary.

These new financial statements for the financial years 2018, 2019 and 2020 refers to Profoto Holding AB, org. No. 556115-5838, and was adopted by the company's board of directors on 17 June 2021. The new financial reports have been prepared in connection with the Prospectus.

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#### Note 2 Significant accounting policies

These consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

Items included in the consolidated accounts have been stated at cost, except in respect of revaluations of certain financial instruments measured at fair value. The most important accounting policies that have been applied are described below.

The annual accounts for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Under RFR 2, the Parent Company must apply all International Financial Reporting Standards adopted by the EU as far as possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation.

##### New and amended standards applied for the first time

New and amended IFRS standards applicable starting in 2020 are not deemed to have had any effect on the Group's accounting.

##### New and amended standards and interpretations not yet in force

It is the management's assessment that no new or amended standards or interpretations not yet in force are expected to have a material impact on the consolidated financial statements when applied for the first time.

##### Consolidated accounts

The consolidated accounts include the Parent Company Profoto Holding AB and the companies over which the Parent Company has controlling influence. A controlling influence exists when the Group is exposed to or has the right to variable returns from its ownership in a company and can exert its influence over the company to influence its returns. A controlling influence is usually achieved by directly or indirectly owning more than 50 percent of the voting rights.

Subsidiaries are included in the consolidated accounts from the time of acquisition until the time when the Parent Company no longer has a controlling influence over the subsidiary. All intra-group transactions, balances and unrealized gains and losses attributable to intra-group transactions have been eliminated in full on consolidation.

##### Functional currency and presentation currency

The consolidated financial statements are presented in Swedish kronor (SEK). For the Parent Company, the functional currency and presentation currency are Swedish kronor. All amounts have been rounded to millions of kronor unless otherwise specified. For the Parent Company, amounts are specified in millions of kronor to one decimal place. Rounding may have been done in tables and calculations such that a stated total may not always be exactly equal to the sum of the rounded amounts.

##### Estimates and assessments in the financial reports

The preparation of financial statements requires, on the one hand, assessments in the application of accounting principles and, on the other hand, estimates for the measurement of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and other factors deemed relevant. Estimates and assumptions are reviewed periodically and compared to actual outcomes. Material assessments and estimates are described in more detail in Note 3.

##### Classification

Non-current assets consist of amounts expected to be recovered or paid after more than 12 months counting from the balance date.

Non-current liabilities consist of amounts due for payment no earlier than 12 months after the balance date and other amounts for which the Company has an unconditional right to postpone payment to a time more than 12 months after the balance date. Other assets and liabilities are recognized as current assets or current liabilities, respectively.

##### Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. Acquisition-related costs are recognized in the statement of comprehensive income as they are incurred. The identifiable acquired assets and assumed liabilities are recognized at the acquisition-date fair value.

For business combinations in which the total of the purchase consideration transferred, any non-controlling interests and the acquisition-date fair value of the purchaser's previous equity interest in the acquired business together exceed the acquisition-date fair value of identifiable net assets, the difference is reported as goodwill in the statement of financial position. If the difference is negative, it is recognized directly in the statement of comprehensive income. Transaction expenses for business combinations are expensed at the time of acquisition.

##### Segment reporting

An operating segment is a part of a company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the Company's chief operating decision-maker and for which discrete financial information is available. The Company's reporting of operating segments agrees with internal reporting to the chief operating decision-maker. The Managing Director is the chief operating decision-maker. All follow-up of the Group is carried out in the Photographic segment, which is thus the Group's only reportable segment. The Group also has a Digital Business segment but will not report it as a separate segment as long as sales are at an immaterial level. The accounting policies of the reportable segment are consistent with the policies applied by the Group in its entirety.

Note 2 cont'd

### Revenue from contracts with customers

Revenue is recognized as the consideration the Group expects to be entitled to in exchange for transferring the promised goods or services, less value-added tax, discounts, returns and similar deductions, which are specified in contracts with customers. IFRS 15 is based on revenue recognition in a five-step model dependent on when the control of a good or service is transferred to the customer, which means revenue is recognized at a point in time and not distributed over a period. The basic principle is that the Group recognizes revenue in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. In addition to the main revenue streams below, courses and training programs are also sold. However, courses constitute an immaterial portion of total Group revenue.

Essentially the Group recognizes revenue only from sales of goods. Revenue from the sale of goods to a distributor or directly to a customer is recognized at the time the products are transferred to the distributor or customer, that is, when the distributor or customer gains control of the goods. Based on the underlying delivery terms agreed, control will be transferred when the goods have been delivered to the freight forwarder or shipping company used. The terms of payment for invoiced sales are normally 30 days after delivery has begun. Business customers and private customers who make purchases through the Group's online store are debited directly using a charge card when the order is registered and the purchase executed. Customers who purchase a product through the Group's online store have a full right of return if the goods are returned within 14 days after being received. This sales channel accounts for less than 5 percent of consolidated sales, and the effect of returns made is deemed to have an immaterial impact on consolidated sales (0.1 percent of total Group's sales in 2020) so that no ongoing provisions are made for costs associated with returns. The Group reviews its estimates of expected returns at each balance date and updates the asset and liability amounts accordingly.

### Government support received

Government grants are recognized in accordance with IAS 20 and disclosed in the statement of comprehensive income when there is reasonable assurance that the Company will fulfill the conditions contingent on the grant and that the grant will be received. Short-time work allowance received is recognized as a reduction of personnel expenses while other support received is recognized in other operating income.

### Leasing

Profoto's leases chiefly comprise the rental of space for premises and, to a lesser extent, cars and certain equipment. A leased asset and a lease liability are recognized at the lease term's commencement date, that is, the date when Profoto gains access to and is able to begin using the underlying asset. The right of use is measured initially at cost, consisting of the lease liability's initial value plus lease payments paid at or before the commencement date, plus any initial direct costs. The right of use is amortized on a straight-line basis, from the commencement date to the end of the lease term.

The lease liability – divided into long-term and short-term components – is initially measured at the present value of the lease payments remaining for the estimated lease term. The lease term consists of the non-cancellable period plus optional periods in the agreement if, at the commencement date, it is considered reasonably certain that these will be exercised.

The lease payments are normally discounted using the Group's marginal interest rate for borrowing, which reflects the Group's credit risk as well as each lease's length, currency and quality of the underlying asset intended as collateral. If the lease's implicit interest rate can be easily established, though, that rate is used, which may be the case for some car leases. The value of the liability is increased by the interest expense for each period and is reduced by the lease payments. The interest expense is calculated as the liability's value multiplied by the discount rate.

The lease liability for premises with indexed rents is calculated based on the rent that applies at the end of each reporting period. When the rent has been increased by the index, the liability is adjusted based on the new rent, with a corresponding adjustment of the measured value of the leased asset. The measured values of the liability and asset are similarly adjusted when the lease term is reassessed. This happens when the last notice date in the previously assessed lease term for the rental agreement has passed, or else when significant events occur or the circumstances significantly change in a way within the control of the Group and influences the current assessment of the lease term.

For leases with a lease term of 12 months or less or with an underlying asset of low value, no leased asset or lease liability is disclosed. Lease payments for these leases are recognized as an expense on a straight-line basis through the lease term.

To a limited extent, Profoto sublets some space in its premises. In some cases, the lease term for subleases is assessed to be materially shorter than the lease term in Profoto's main lease, and as a result those subleases have been classified as operating leases. In that case, Profoto continues to disclose the right of use on the balance sheet, and the rental payments received are recognized as revenue on a straight-line basis over the term of the sublease.

### Foreign currency

Items included in the financial statements for the various units of the Group are reported in the currency used in the primary economic environment in which each unit mainly operates (functional currency).

Transactions in foreign currencies are translated into the functional currency of each unit at the exchange rates prevailing on the transaction date. Monetary items in foreign currency are translated at each balance date at the closing day rate. Non-monetary items that are measured at historical cost in a foreign currency are not translated; the historical exchange rate is used. Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rate on the date the fair value was established.

Foreign exchange differences are recognized in the statement of comprehensive income for the period in which they arise.

In preparing the consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated into SEK at the closing day rate. Income and expenses in a foreign operation are translated into Swedish kronor at an average rate that constitutes an approximation of the exchange rates at each transaction date. Any differences arising in the translation of the accounts of foreign operations are recognized in other comprehensive income and accumulated in a separate component of equity, the translation reserve. When a foreign subsidiary is sold, such translation differences are recognized in the income statements as part of the capital gain/loss.

### Employee benefits

Employee benefits in the form of salaries, bonuses, paid vacation, paid sick leave, pensions and the like are recognized as a cost as they are earned. Pensions and other post-employment benefits are classified as defined contribution or defined benefit plans. The Group has defined contribution and defined benefit pension plans.

### Defined contribution plans

For defined contribution plans, the Group pays fixed contributions into a separate and independent legal entity and has no obligation to pay additional fees. The Group's earnings are charged with expenses as the benefits are earned, which normally coincides with the time when the premiums are paid.

### Defined benefit plans

Pension plans that are not defined contribution are defined benefit plans, which means the employer undertakes to pay the pension at a certain level of benefits. The defined benefit plans in the Group consist of the ITP 2 plan for salaried employees in Sweden which is secured through insurance with Alecta. The ITP 2 pension plan, which is



Note 2 cont'd

secured through insurance with Alecta, is a defined benefit plan that covers multiple employers. The plan is recognized as a defined contribution plan, though, because Alecta cannot provide information enabling the disclosure of each member company's proportional share of plan commitments, administrative assets and costs. There are no other defined benefit pension plans.

#### **Pension agreement with endowment insurance**

Pension agreements has been entered where the group has obtained endowment insurances for the benefit of an employee by pledge. The employee is only entitled to compensation corresponding to the value of the endowment insurance at redemption. The endowment insurance is continuously valued at current value and the liability is simultaneously adjusted to correspond with the current value of the insurance. The endowment insurance and pension liability is net reported. Provision for payroll tax is done based on the current value of the endowment insurance.

#### **Tax**

Tax expense consists of the sum of current tax and deferred tax.

#### **Current tax**

Current tax is calculated on the taxable profit for the period. Taxable profit differs from the profit disclosed in the statement of comprehensive income in that it has been adjusted for non-taxable income and non-deductible expenses as well as for income and expenses that are taxable or tax-deductible in other periods. The Group's current tax is calculated using tax rates prevailing at the balance date.

Current tax is recognized as an expense or income in the statement of comprehensive income except when it relates to transactions recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity.

#### **Deferred tax**

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the tax values applied in calculating taxable profit. Deferred tax is recognized using the balance sheet method. Deferred tax liabilities are basically recognized for all taxable temporary differences, and deferred tax assets are basically recognized for all tax-deductible temporary differences to the extent it is likely that the amounts can be offset against future taxable profit.

Deferred tax assets and tax liabilities are not recognized if the temporary difference is attributable to goodwill or if it is the result of a transaction that constitutes the initial recognition of an asset or liability (other than a business combination) and which, at the time of the transaction, affects neither the recognized profit nor the taxable profit.

Deferred tax liabilities are recognized for taxable temporary differences attributable to investments in subsidiaries, except where the Group is able to control the time when the temporary differences are reversed and it is unlikely that such a reversal will take place within the foreseeable future. The deferred tax assets that are attributable to tax-deductible temporary differences in relation to such investments are only recognized to the extent it is likely that the amounts can be offset against future taxable profit within the foreseeable future.

The carrying amount of deferred tax assets is tested at each closing date and is reduced to the extent it is no longer likely that sufficient taxable profit will be available for offsetting the deferred tax asset in whole or in part.

Deferred tax is calculated using the tax rates that are expected to apply for the period in which the asset is received or the liability settled, based on the tax rates (and tax legislation) that apply or have been announced at the balance date.

Deferred tax assets and tax liabilities are offset if they are attributable to income tax that is charged by the same public authority and the Group intends to settle the net tax.

Deferred tax is recognized as an expense or income in the statement of comprehensive income, except when it relates to transactions recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity.

#### **Property, plant and equipment**

Property, plant and equipment is recognized at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase consideration and any costs directly attributable to bringing the asset to the location and condition necessary for use, as well as estimated expenses for dismantling and disposing of the asset and restoring the location. Subsequent expenses are included in the carrying amount of the asset or recognized as a separate asset only when it is probable that future economic benefits associated with the object will flow to the Group and the cost of the object can be reliably measured. All other subsequent expenses are recognized as a cost in the statement of comprehensive income in the period in which they arise.

Depreciation of property, plant and equipment is expensed so that the asset's cost of acquisition, less any residual value at the end of its useful life, is depreciated on a straight-line basis over its estimated useful life. Depreciation begins when the property, plant or equipment is available for use. The useful lives of categories of property, plant and equipment are as follows:

Machinery and other technical equipment	4–5 years
Equipment, tools and installations	4–5 years
Expenditure on leased property	5 years

Estimated useful life, residual value and depreciation methods are reviewed at a minimum at the end of each accounting period, and the effects of any changes in assessments are reported prospectively.

The carrying amount is derecognized from the statement of financial position on retirement or disposal or when no future economic benefits are expected from its use. The gain or loss arising from the retirement or disposal of an asset consists of the difference between any net income on disposal of the asset and its carrying amount, recognized in the statement of comprehensive income for the period in which the asset is derecognized.

#### **Intangible assets**

Internally generated intangible assets arising from the Group's product development are recognized only if the following conditions are met.

- It is technically feasible to complete the product so that it will be available for use.
- The Company intends to complete the intangible asset and use or sell it.
- It is possible to use or sell the intangible asset.
- The Company shows how the intangible asset will generate probable future economic benefits.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The expenses attributable to the intangible asset during its development can be reliably calculated.

If it is not possible to report an internally generated intangible asset, development expenditure are recognized as a cost in the period in which they arise. After initial recognition, internally generated intangible assets are recognized at cost less accumulated amortization and impairment, if any. The estimated useful life depends on the asset, 2–6 years. Estimated useful life and amortization method are reviewed at a minimum at the end of each fiscal year, and the effects of any changes in assessments are reported prospectively.

Note 2 cont'd

### **Other intangible assets – Capitalized expenditures for customization of business systems**

Expenses for customizing business systems are capitalized as intangible assets to the extent that the Group considers the expenses associated with customization. After initial recognition, other intangible assets are recognized in the same way as any other intangible asset. The estimated useful life for customization of business systems is five years. Estimated useful lives and amortization methods are reviewed at a minimum at the end of each fiscal year, and the effects of any changes in assessments are reported prospectively.

### **Impairment of property, plant and equipment and intangible assets, excluding goodwill**

At each balance date, the Group assesses the carrying amounts of property, plant and equipment and intangible assets to determine whether there is any indication of impairment. If this is the case, the asset's recoverable amount is calculated to determine the value of any impairment loss. If it is not possible to calculate the recoverable amount for an individual asset, the Group will calculate the recoverable amount for the cash-generating unit or group of cash-generating units to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet ready for use are tested annually for impairment or when there is an indication of impairment.

The recoverable amount is the higher of fair value less selling costs, and value in use. When calculating value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the asset.

If the recoverable amount of a fixed asset is determined to be less than the carrying amount, the carrying amount of the asset is written down to the recoverable amount. An impairment loss is recognized directly as an expense in the statement of comprehensive income. If an impairment is subsequently reversed, the carrying amount of the asset increases to the remeasured recoverable amount, but the increased carrying amount cannot exceed the carrying amount that would have been established had no impairment been recognized for the asset in previous years. A reversal of an impairment loss is recognized directly in the statement of comprehensive income.

### **Inventories**

Inventories are measured at the lesser of cost and net realizable value. Cost is calculated based on first-in, first-out (FIFO). Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs selling costs.

### **Provisions**

A provision differs from other liabilities in that the date of the payment or the amount to be paid to settle the liability are uncertain. A provision is recognized in the statement of financial position when there is an existing legal or constructive obligation as a result of an event that has occurred, and it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are made in the amount that is the best estimate of the amount required to settle the existing obligation at the balance date.

If the time of payment has material effects, a provision is calculated by discounting the expected future cash flow at a pre-tax interest rate that reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data on warranties and a weighted combination of probabilities of different outcomes.

### **Financial instruments**

A financial asset or financial liability is recognized in the statement of

financial position when the Group becomes a party to the instrument pursuant to the instrument's contractual terms and conditions.

### **Recognition in and derecognition from the statement of financial position**

A financial asset (except for accounts receivable with no significant funding component) or financial liability is measured upon initial recognition at fair value plus, in the case of financial instruments not measured at fair value through profit and loss, transaction costs directly attributable to the acquisition or issue. An account receivable without a significant funding component is measured at the transaction price.

A financial asset or financial liability is recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A receivable is recognized when the Company has performed and there is a contractual obligation to pay, even if the invoice has not yet been sent. Accounts receivable are recognized in the statement of financial position when an invoice has been sent. A payable is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. An account payable is recognized when an invoice has been received. A financial asset is derecognized from the statement of financial position when contractual rights are realized or expire, or the Company loses control over the asset. The same applies to a part of a financial asset. A financial liability is derecognized from the statement of financial position when the contractual obligation is fulfilled or otherwise ceases. The same applies to a part of a financial liability. No financial assets or liabilities are offset in the statement of financial position, because the offset criteria are not fulfilled. Spot purchases and spot sales of financial assets are recognized on the trade day.

### **Classification and measurement**

Financial assets are classified based on the business model within which the relevant asset is held and the asset's cash flow characteristics. If the financial asset is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, then the asset is measured at amortized cost. The expected maturity is short, so these assets are recognized at cost corresponding to the nominal amount without discounting. This business is categorized as "hold to collect." Amortized cost is defined as the amount at which the financial asset or financial liability is measured upon initial recognition, minus repayments, plus or minus accumulated amortization using the effective interest method of any difference between the initial amount and the amount at the maturity date and, for financial assets, adjusted taking into account any loss provisions.

If the business model's objectives can be achieved by collecting contractual cash flows as well as by selling financial assets, and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, then the asset is measured at fair value through other comprehensive income. This business is categorized as "hold to collect and sell."

For all other business models whose objective is speculation, held for trading or where the cash flow characteristics exclude other business models, measurement is at fair value through the statement of comprehensive income. This business model is categorized as "other."

The Group applies the "hold to collect" business model for cash and cash equivalents, accounts receivable, other current receivables and other financial assets, which means these assets are carried at amortized cost.

A financial liability is recognized at fair value through the statement of comprehensive income if it 1) is a contingent consideration within the scope of IFRS 3, 2) held for trading, or 3) is initially identified as a liability recognized at fair value through the statement of comprehensive income. Other financial liabilities are classified at amortized cost.

Note 2 cont'd

Accounts payable are measured at amortized cost. The expected maturity of accounts payable is short, though, so such a liability is recognized at its nominal amount without discounting. Interest-bearing bank loans, overdraft credit and other loans are measured at amortized cost according to the effective interest method. Any differences between the loan amount received (net of transaction costs) and the repayment or amortization of the loan are recognized over the maturity of the loan. Contingent consideration is classified and measured at fair value through the statement of comprehensive income.

#### **Fair value of financial instruments**

The fair values of financial assets and financial liabilities are calculated as follows.

- The fair value of financial assets and liabilities that are traded on an active market is determined using quoted market prices.
- The fair value of other financial assets and liabilities is determined according to generally accepted valuation models, such as the discounting of future cash flows and the use of information obtained from current market transactions.
- The carrying amount of all financial assets and liabilities is considered to be a good approximation of their fair value, unless otherwise specified.

#### **Amortized cost and effective interest method**

The amortized cost of a financial asset is the amount at which the financial asset is initially recognized, less the principal, plus the cumulative amortization. Any difference between the principal and the outstanding principal is calculated using the effective interest method, adjusted for any impairment. The recognized gross value of a financial asset is the amortized cost of the asset before adjustments for any loss allowance. Financial liabilities are recognized at amortized cost using the effective interest method or at fair value through the statement of comprehensive income.

The effective interest rate is the rate at which all future expected cash flows are discounted over their expected maturity to equal the initial carrying amount of the financial asset or financial liability.

#### **Offsetting financial assets and liabilities**

Financial assets and financial liabilities are offset and recognized net in the statement of financial position when there is a legal right to offset and the intention is to settle the items as a net amount or simultaneously realize the asset and settle the liability.

#### **Impairment**

The Group recognizes a loss allowance for expected credit losses on a financial asset at amortized cost or fair value through other comprehensive income. Equity instruments are not subject to these impairment rules. On each reporting date, the Group recognizes the change in expected credit losses since initial recognition in the statement of comprehensive income. The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which credit risk has increased materially since initial recognition, whether assessed on an individual or collective basis, considering all reasonable and supportable information, including that which is forward-looking. The Group must measure expected credit losses on a financial instrument in a way that reflects an objective and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money and reasonable and verifiable information on current conditions and forecasts of future economic conditions.

For accounts receivable and contract assets, simplifications allow the Group to directly recognize lifetime expected credit losses for the asset. The expected credit losses for accounts receivable and contract assets are measured over the asset's time to maturity. For all other financial assets for which the credit risk has not materially increased, the Group measures the loss carry-forward at an amount corresponding

ing to 12 months of expected credit losses. For financial assets for which the credit risk has materially increased since initial recognition, a reserve is recognized based on the asset's expected credit losses during the asset's time to maturity.

The Group's exposure to credit risk is primarily attributable to accounts receivable. The simplified approach is used to calculate credit losses on the Group's accounts receivable. The expected credit losses on accounts receivable are calculated using a provision matrix based on previous events, current conditions and forecasts for future economic conditions and the time value of money, if applicable.

Impairment of accounts receivable and other receivables is recognized in operating expenses. Impairment of cash and cash equivalents and other long-term securities holdings are recognized as a financial expense.

The recognized gross value of a financial asset is written off when the Group has no reasonable expectation of recovering the financial asset in whole or in part.

#### **Dividends and interest income**

Dividend income is recognized when the owner's right to receive payment has been established.

Interest income is recognized during the asset's life using the effective interest method.

#### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are included in the cost of the asset until such time as the asset is completed for its intended use or sale. Interest income from the temporary investment of borrowed funds for an asset as described above is deducted from the borrowing costs that can be included in the cost of the asset. Other borrowing costs are recognized in profit or loss in the period in which they arise.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statements of cash flows include cash, bank balances and other short-term investments. Other short-term investments are classified as cash and cash equivalents if they expire within three months from the time of acquisition, can easily be converted into a known amount of cash and are exposed to insignificant risk for fluctuations in value.

#### **New and changed standards and interpretations that have not yet entered into force**

From 2021, changes will be introduced to a number of standards as a result of the ongoing reference interest rate reform. The Group has an overdraft facility that may be affected to a limited extent by the reform. The Group follows the development and has the ambition to apply the reliefs introduced in IFRS. Management's assessment is that other new or amended standards or interpretations that have not yet entered into force are not expected to have a significant impact on the consolidated financial statements when they are applied for the first time.

### Note 3 Important estimates and assessments

#### Key sources of estimation uncertainty

Listed below are the key assumptions concerning the future and other key sources of uncertainty in estimates at the balance date that involve a significant risk of material adjustments to the carrying amounts of assets and liabilities during the next fiscal year.

#### Capitalized development expenditure

The value of capitalized development expenditure for products under development and not yet ready for use is tested annually and whenever events or changes in circumstances indicate that the value of these may have decreased. To determine whether the value of capitalized development expenditure has decreased, the cash flows arising from them must be analyzed and assessed by discounting the cash

flows. When applying this method, the Company assesses a number of factors, including the discount rate and future sales. Changes in the conditions for these assumptions and estimates could have a material effect on the value of capitalized development expenditure.

#### Valuation of inventory

Inventory in stock or at suppliers' warehouses is at risk of impairment, because of becoming obsolete before being sold, for example, or becoming unsellable at a profit for other reasons. Accordingly, provisions are made for obsolescence that reflect this risk. The size of the provision is affected by estimates regarding future sales volumes and prices as well as future products. Changes in these estimates could have a material impact on the Group.

### Note 4 Financial risk management and financial instruments

Through its operations, the Group is exposed to various types of financial risk, such as market, liquidity and credit risks. Market risks mainly consist of currency risk. The Company's Board of Directors bears ultimate responsibility for the exposure, management and monitoring of the Group's financial risks in accordance with the Company's finance policy. The policy is approved by the Company's Board once a year, and the Company's Chief Financial Officer is accountable to the Company's Chief Executive Officer and the Board for day-to-day adherence to the policy.

#### Market risks

##### Currency risks

Currency risk refers to the risk of fluctuations in fair value or future cash flows as a result of changes in exchange rates. Exposure to currency risk arises mainly in connection with borrowing in foreign currency and from payment flows in foreign currency, referred to as transaction exposure, and from the translation of the income statements and balance sheets of foreign subsidiaries to the presentation currency of the Group, which is Swedish kronor (SEK), referred to as translation exposure.

##### Transaction exposure

Transaction exposure involves a risk that earnings will be negatively affected by changes in exchange rates for the cash flows that occur in foreign currency. The Group's outflows mainly consist of Swedish kronor (SEK), euros (EUR) and U.S. dollars (USD), while the Group's inflows mainly consist of euros (EUR), U.S. dollars (USD), Chinese yuan (CNY), Japanese yen (JPY) and British pounds (GBP). The Group is thus affected by changes in these exchange rates. The Company's policy is to not hedge forecast cash flows in the currency.

The table below shows the nominal net amounts in Swedish kronor of the significant flows that constitute transaction exposure. The exposure is disclosed based on the Group's payment flows in the most significant currencies.

Currency	2020	2019	2018
Euro (EUR)	139	215	205
U.S. dollar (USD)	17	147	95
Chinese yuan (CNY)	21	21	-10
Japanese yen (JPY)	44	53	35
British pound (GBP)	25	40	32

##### Interest rate risk

Interest rate risk refers to the risk of fluctuations in variable interest linked to borrowing in the Group. Interest rate risk is deemed low, as a significant portion of borrowing carries a fixed interest rate. Based on the Group's current external borrowing, a 0.5 percentage point increase or decrease in the market rate would not have any material impact on comprehensive income, as comprehensive income would change by SEK 0.2m (0.1;0.0). This calculation is based on current borrowing of a total of SEK 44m (20;1).

##### Translation exposure

Translation exposure involves a risk that the value of the Group's net investments in foreign currency will be negatively affected by changes in exchange rates. The Group consolidates its net assets in SEK at the balance date. This risk is called translation exposure and is not hedged, in accordance with the Group's finance policy.

The table below shows the translation exposure for net investments in foreign operations. Amounts below are specified in millions of SEK at the closing day rate.

Currency	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Euro (EUR)	8	5	7
U.S. dollar (USD)	19	21	13
Chinese yuan (CNY)	2	2	-
Japanese yen (JPY)	4	5	3
British pound (GBP)	5	5	3

The table below shows translation exposure for profit before tax for foreign operations. Amounts below are specified in millions of SEK at the average rate.

Valuta	2020	2019	2018
Euro (EUR)	1	6	6
U.S. dollar (USD)	5	15	14
Chinese Yuan (CNY)	0	1	-
Japanese Yen (JPY)	1	2	2
British Pound (GBP)	1	3	3

Note 4 cont'd

The effects of changes in exchange rates in relation to SEK for the most significant foreign currencies are presented under "Sensitivity analysis for market risks" below.

#### Sensitivity analysis for market risks

The sensitivity analysis for currency risk shows the Group's sensitivity in the event of an increase or decrease of 5 percent in the value of SEK compared with the most significant currencies. For transaction exposure, the effect on the Group's profit after tax in the event of a change in exchange rates is shown. This also includes outstanding monetary

receivables and liabilities in foreign currency at the balance date, including loans between Group companies where the currency effect has an impact on the consolidated statement of comprehensive income.

The sensitivity analysis for translation exposure shows the Group's sensitivity in the event of an increase or decrease of 10 percent in the exchange rate. For translation exposure, the effect on the Group's profit after tax and equity in the event of a change in exchange rates is shown.

	2020 Effect on profit/ loss	Dec 31, 2020 Effect on equity	2019 Effect on profit/ loss	Dec 31, 2019 Effect on equity	2018 Effect on profit/ loss	Dec 31, 2018 Effect on equity
<b>Transaction exposure</b>						
EUR +5%	7		11		10	
USD +5 %	1		7		5	
CNY +5%	1		1		-	
JPY +5 %	2		3		2	
GBP +5%	1		2		2	
<b>Translation exposure</b>						
Euro (EUR) +10%	0	1	1	1	1	1
U.S. dollar (USD) +10 %	0	2	2	2	1	1
Chinese yuan (CNY) +10%	0	0	0	0	-	-
Japanese yen (JPY) +10%	0	0	0	1	0	0
British pound (GBP) +10 %	0	0	0	0	0	0

#### Liquidity and funding risk

Liquidity risk refers to the risk that the Group will have problems meeting its obligations related to the Group's financial liabilities. Funding risk refers to the risk that the Group will be unable to arrange adequate financing at a reasonable cost. The Company shall make monthly cash-flow forecasts 60 days forward, according to the Group's finance policy. According to the policy, the Company shall also always keep a cash reserve of at least SEK 30m, consisting mainly of unutilized overdraft credit. The size of the cash reserve is set taking into account relevant risks concerning customers' capacity to pay, other financing and expected trends in earnings and liquidity. The ongoing assessment of risks associated with day-to-day inflows and outflows of liquidity determine the size of the cash reserve. Expected levels of costs and sales in the Group are adjusted periodically in 12-month forecasts made four times a year, at which time they can be adapted to changes in the sales outlook. Customer credit limits are also reviewed each

quarter as a means to ensure efficient ongoing payment flows from customers.

The maturity distribution of contractual payment obligations relating to the financial liabilities of the Group and Parent Company are shown in the tables below. The figures in these tables are not discounted values and also include interest payments where applicable, such that these figures are not comparable with the figures recognized in the statements of financial position. Interest payments are determined based on the conditions prevailing at the balance date. Amounts in foreign currencies are translated to Swedish kronor (SEK) at the exchange rates on the balance date.

The Group's loan agreements do not contain any special conditions that may cause the payment date to be substantially earlier than shown in the tables.

	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
<b>December 31, 2020</b>					
Liabilities to credit institutions	9	27	9	-	44
Lease liabilities	2	7	29	22	60
Accounts payable	45	-	-	-	45
Other current liabilities	6	-	-	-	6
<b>Total</b>	<b>62</b>	<b>34</b>	<b>37</b>	<b>22</b>	<b>155</b>
<b>December 31, 2019</b>					
Liabilities to credit institutions	-	20	0	-	20
Lease liabilities	2	7	31	29	69
Accounts payable	58	-	-	-	58
Other current liabilities	7	-	-	-	7
<b>Total</b>	<b>67</b>	<b>27</b>	<b>31</b>	<b>29</b>	<b>155</b>



Note 4 cont'd

### December 31, 2018

Liabilities to credit institutions	0	1	0	0	1
Lease liabilities	-	-	-	-	-
Accounts payable	66	1	0	0	66
Other current liabilities	8	0	0	0	8
<b>Total</b>	<b>74</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>75</b>

### Credit and counterparty risk

Credit risk refers to the risk that the counterparty in a transaction will cause a loss to the Group by failing to fulfill its contractual obligations. The Group's exposure to credit risk is attributable to accounts receivable and cash and cash equivalents. To limit the Group's credit risk, a credit assessment is made for each new customer. The financial situation of existing customers is also continually monitored to identify warning signs at an early stage. The Group has established a credit policy by which each new customer is individually screened for creditworthiness before the Group's general terms of payment and delivery are offered. The Group's review comprises external credit ratings if available, financial reports, information from rating institutes, industry information and in certain cases bank references. Sales limits are established for each customer and reviewed quarterly. Sales that exceed these limits require special approval from the Group.

The Group restricts its credit risk exposure in accounts receivable by establishing a maximum payment period: one month for private individuals, three months for business customers. For more information about past due accounts receivable and loss provisions, see Note 19.

The Group's exposure to credit risk is primarily attributable to accounts receivable. The simplified approach is used to calculate credit losses on the Group's accounts receivable and has an insignificant effect. Expected credit losses have been calculated based on historical data on bad debts. The expected credit losses for accounts receivable are calculated using a matrix based on previous events, current conditions and forecasts for future economic conditions and the time value of money, if applicable. The estimated effect on accounts receivable at December 31, 2020, SEK -145(-73;-98) thousand, is deemed immaterial, so the receivables are recognized at nominal value. Accounts receivable are spread across a large number of customers, and no single customer accounts for a significant portion of total accounts receivable. Moreover, accounts receivable are not concentrated in any specific geographic area. Thus, the Group considers the concentration risks limited. The Group's maximum exposure to credit risk is considered equal to the carrying amounts of all financial assets and is shown in the table below.

	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
Accounts receivable	67	95	97
Other current receivables	2	16	18
Non-current receivables	2	3	1
Cash and cash equivalents	254	52	45
<b>Maximum credit risk exposure</b>	<b>326</b>	<b>165</b>	<b>162</b>

### Accounts receivable from external customers by region:

	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
APAC	13	21	15
Americas	29	45	53
EMEA	24	30	28
<b>Total external accounts receivable</b>	<b>67</b>	<b>95</b>	<b>97</b>

### Credit risk in cash and cash equivalents

At December 31, 2020, the Group had cash and cash equivalents of SEK 254m (52;45). For cash and cash equivalents, banks and financial institutions are counterparties. These mainly comprise the Group's two lead banks, Danske Bank and Svenska Handelsbanken Capital Markets, which are rated A to AA- based on Standard & Poor's credit ratings. The expected credit losses in cash and cash equivalents were deemed insignificant and therefore not disclosed.

### Capital management

Capital is defined in the Profoto Group as net debt/EBITDA with supplement in the measure interest cover ratio. The Board of Directors' finance policy states that the Group's financial objective is to have an optimal capital structure that helps maintain investors' and lenders' trust and serves as a stable basis for the continued development of business operations. Capital structure refers to the Company's funding (total capital) and how equity and liabilities are combined.

The key figures that Company management and external stakeholders principally assess with respect to capital structure are net debt in relation to EBITDA and the interest coverage ratio (EBITDA/financial net expenses). Profoto intends to maintain an effective long-term capital structure in which net debt in relation to EBITDA is no more than 2.5 and the interest coverage ratio is no more than 4.0. These key figures are monitored continuously and reported to the Board of Directors.

Note 4 cont'd

**Classification of financial instruments**

The carrying amounts of financial assets and financial liabilities by valuation category in accordance with IFRS 9 are shown in the table below.

	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Carrying amount
<b>December 31, 2020</b>			
<b>Financial assets</b>			
Non-current receivables	2		2
Accounts receivable	67		67
Other receivables	–		–
Cash and cash equivalents	254		254
<b>Total financial assets</b>	<b>323</b>		<b>323</b>
<b>Financial liabilities</b>			
Liabilities to credit institutions		44	44
Accounts payable		45	45
<b>Total financial liabilities</b>	<b>0</b>	<b>89</b>	<b>89</b>
<b>December 31, 2019</b>			
<b>Financial assets</b>			
Non-current receivables	2		2
Accounts receivable	95		95
Other receivables	10		10
Cash and cash equivalents	52		52
<b>Total financial assets</b>	<b>158</b>	<b>0</b>	<b>158</b>
<b>Financial liabilities</b>			
Liabilities to credit institutions		20	20
Accounts payable		58	58
<b>Total financial liabilities</b>	<b>0</b>	<b>78</b>	<b>78</b>
<b>December 31, 2018</b>			
<b>Financial assets</b>			
Accounts receivable	97		97
Other receivables	13		13
Cash and cash equivalents	45		45
<b>Total financial assets</b>	<b>155</b>	<b>0</b>	<b>155</b>
<b>Financial liabilities</b>			
Liabilities to credit institutions		1	1
Accounts payable		66	66
<b>Total financial liabilities</b>	<b>0</b>	<b>67</b>	<b>67</b>

Note 4 cont'd

Net gains/losses from financial assets and liabilities broken down by valuation category in accordance with IFRS 9 are shown in the table below.

	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Total
<b>2020</b>			
<b>Operating profit</b>			
Operating receivables – foreign exchange differences	1		1
Other operating liabilities – foreign exchange differences		-3	-3
<b>Total operating profit</b>	<b>1</b>	<b>-3</b>	<b>-2</b>
<b>Net financial items</b>			
Interest income	0		0
Interest expense		-3	-3
Foreign exchange differences	0	-5	-5
<b>Total net financial items</b>	<b>0</b>	<b>-8</b>	<b>-8</b>
<b>2019</b>			
<b>Operating profit</b>			
Operating receivables – foreign exchange differences	5		5
Other operating liabilities – foreign exchange differences		-3	-3
<b>Total operating profit</b>	<b>5</b>	<b>-3</b>	<b>2</b>
<b>Net financial items</b>			
Interest income	0		0
Interest expense		-2	-2
Foreign exchange differences	1	-1	0
<b>Total net financial items</b>	<b>2</b>	<b>-3</b>	<b>-2</b>
<b>2018</b>			
<b>Operating profit</b>			
Operating receivables – foreign exchange differences	8	0	8
Other operating liabilities – foreign exchange differences	0	-2	-2
<b>Total operating profit</b>	<b>8</b>	<b>-2</b>	<b>7</b>
<b>Net financial items</b>			
Interest income	0	–	0
Interest expense	–	-1	-1
Foreign exchange differences	-2	–	-2
<b>Total net financial items</b>	<b>-2</b>	<b>-1</b>	<b>-3</b>

The following summarizes the methods and assumptions used to determine the fair value of the Group's financial instruments.

#### Accounts receivable and accounts payable

Accounts receivable and accounts payable normally have a remaining useful life of less than three months, so the carrying amount is a good approximation of the fair value.

#### Interest-bearing liabilities

Interest-bearing liabilities are recognized at amortized cost. The maturities are short, so the carrying amount is a good approximation of the fair value.

## Note 5 Segment Information

The Group's single operating segment is Photographic.

- Photographic receives revenue from the sale of studio flash systems with accessories and related services.
- Group-wide consists of Executive Group Management, which conducts no sales outside the Group. Revenues consist of internal management fees from Group companies.

The accounting policies of the reportable segment are consistent with the Group's accounting policies. Sales between the segment and the Group take place on market terms.

2020	Photographic	Group-wide	Eliminations	Total Group
Revenue	528	0	0	528
Other operating income	3	12	-12	3
<b>Total revenue</b>	<b>531</b>	<b>12</b>	<b>-12</b>	<b>531</b>
Capitalized work for own account	21	0	0	21
Goods and services	-228	0	0	-228
Depreciation, amortization and impairment	-88	0	0	-88
Other expenses	-249	-11	12	-249
<b>Operating profit</b>	<b>-12</b>	<b>0</b>	<b>0</b>	<b>-12</b>
Not allocated: Net financial items				-8
<b>Profit/Loss before tax</b>				<b>-20</b>
<b>2019</b>				
External revenue	833	0	0	833
Other operating income	7	10	-10	7
<b>Total revenue</b>	<b>840</b>	<b>10</b>	<b>-10</b>	<b>840</b>
Capitalized work for own account	24	0	0	24
Purchases of goods and services	-253	0	0	-253
Depreciation, amortization and impairment	-42	0	0	-42
Other expenses	-343	-12	10	-346
<b>Operating profit</b>	<b>225</b>	<b>-3</b>	<b>0</b>	<b>222</b>
Not allocated: Net financial items				-2
<b>Profit/Loss before tax</b>				<b>220</b>
<b>2018</b>				
Revenue	679	0	0	679
Other operating income	10	10	-10	10
<b>Total revenue</b>	<b>689</b>	<b>10</b>	<b>-10</b>	<b>689</b>
Capitalized work for own account	26	0	0	26
Goods and services	-224	0	0	-224
Depreciation, amortization and impairment	-24	0	0	-24
Other expenses	-283	-11	10	-285
<b>Operating profit</b>	<b>184</b>	<b>-1</b>	<b>0</b>	<b>183</b>
Not allocated: Net financial items				-3
<b>Profit/Loss before tax</b>				<b>180</b>

Note 5 cont'd

**Revenue from external customers by region<sup>1</sup>**

	2020	2019	2018
APAC	141	167	155
Of which Japan	59	70	51
Americas	189	364	270
Of which United States	177	338	246
EMEA	199	302	254
Of which Sweden	23	23	20
<b>Total</b>	<b>528</b>	<b>833</b>	<b>679</b>

**Non-current assets<sup>2</sup>**

	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Sweden	197	260	186
Other	7	1	1
<b>Total</b>	<b>204</b>	<b>262</b>	<b>187</b>

1) Revenue from external customers by region is based on where the customers are located.

2) Non-current assets do not include financial instruments and deferred tax assets.

**Information about major customers**

The Group has a customer who individually accounts for 10 percent or more of consolidated revenue. Sales to this customer were SEK 88m (125;93).

**Note 6 Breakdown of revenue**

The Group recognizes revenue from the sale of goods at a certain point in the following main product categories. These are consistent with the revenue information presented for the Group's reportable segment in accordance with IFRS 8 (see also Note 5).

**Revenue per product category**

	2020	2019	2018
<b>Revenue per product category</b>			
Photographic	527	832	679
Digital business	1	1	-
<b>Total</b>	<b>528</b>	<b>833</b>	<b>679</b>

Revenue from the Group's sales of goods is recognized over time. Contract balances for advances and accrued income do not amount to significant amounts. Contract assets and liabilities are recognized as deferred income and accrued income, respectively; see Note 20 and Note 26. All contract assets and liabilities are normally realized as revenue within one month.

**Note 7 Other operating income**

Group	2020	2019	2018
Exchange gains	1	5	10
Government grant	1	-	-
Other revenue	1	2	0
<b>Total</b>	<b>3</b>	<b>7</b>	<b>10</b>

Government grant received consists of transitional assistance in Sweden and minor rent subsidies in Japan. Regarding the transitional assistance received in Sweden the group has accrued for a repayment debt since the group, due to dividends intended to be decided before June 2021, no longer meets the requirements for receiving the grant. The repayment debt is specified in Note 26. Other government grants received is presented in Note 10.

**Note 8 Remuneration to auditors**

Group	2020	2019	2018
Deloitte AB			
audit engagements	1	1	1
other audit duties	0	0	0
tax advisory services	-	0	0
other services	0	1	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>

Audit engagements refers to the auditor's remuneration for the statutory audit. This work includes reviewing the annual report and consolidated financial statements, the accounts and administration by the Board of Directors and the CEO, as well as fees for accounting advice provided in connection with the audit assignment.

Other audit duties refers to work on transitional assistance for the periods March–April, May and June–July 2020.



**Note 9 Leasing**

Leasing	2020	2019	2018
<b>Leased assets</b>			
Properties	53	62	-
Equipment	0	0	-
Vehicles	1	1	-
<b>Total leased assets</b>	<b>54</b>	<b>63</b>	<b>-</b>
<b>Lease liabilities</b>			
Current liabilities	9	9	-
Non-current liabilities	47	55	-
<b>Total lease liabilities</b>	<b>56</b>	<b>64</b>	<b>-</b>
<b>Amortization of right-of-use assets</b>			
Properties	-9	-8	-
Equipment	0	0	-
Vehicles	-1	-1	-
Interest expense on lease liabilities	-1	-1	-
<b>Total affecting result</b>	<b>-11</b>	<b>-10</b>	<b>-</b>

Leased assets added amounted to SEK 1m (57;0) in 2020. Several leased assets were discontinued during the year as a result of the liquidation of the Canadian company and the closure of offices in France and Germany.

Leases on offices usually include an extension option. The fundamental assessment is that none of these extension options will be exercised, so no optional periods are included in the terms and conditions or lease liabilities. These assessments are based on the long lease period in one case and the decision not to extend the periods in other cases. Whether an extension option on an office lease will, with reasonable assurance, be exercised is reconsidered if a significant event might occur or circumstances might significantly change in a way within the control of the lessee. Payments of short-term leases and leases relating to minor amounts are not material.

The total cash flow related to leases in 2020 was SEK 8m (8;0). An analysis of the maturity of lease liabilities is shown in Note 4. Total revenue from subleases of rights of use was SEK 1m (0;0) during the period.

**Since the transition to IFRS 16, the disclosure below applies only for 2018:**

The Group is a lessee through operational leasing agreements, primarily office premises. The Group's total expensed leasing fees for operational leasing agreements amounted to SEK 9m. Future minimum lease payments for non-cancellable leases fall due as follows:

Minimum lease payments	2018
Within one year	10
Later than one year but within five years	34
Later than five years	39

**Note 10 Number of employees, personnel expenses and senior executives****Average number of employees in 2020**

	Women	Men	Total
<b>Parent Company</b>			
Sweden	0	2	2
<b>Total Parent Company</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Subsidiaries</b>			
France	1	0	1
Japan	3	3	6
United Kingdom	0	2	2
Sweden	30	50	80
Germany	0	3	3
China	6	4	10
United States	6	12	18
<b>Total subsidiaries</b>	<b>46</b>	<b>74</b>	<b>120</b>
<b>Total Group</b>	<b>46</b>	<b>76</b>	<b>122</b>

**Average number of employees in 2019**

	Women	Men	Total
<b>Parent Company</b>			
Sweden	0	2	2
<b>Total Parent Company</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Subsidiaries</b>			
France	2	3	5
Japan	4	4	8
Canada	0	2	2
United Kingdom	0	2	2
Sweden	33	56	89
Germany	0	5	5
China	6	1	7
United States	6	14	20
<b>Total subsidiaries</b>	<b>51</b>	<b>87</b>	<b>138</b>
<b>Total Group</b>	<b>51</b>	<b>89</b>	<b>140</b>

Note 10 cont'd

### Average number of employees in 2018

	Women	Men	Total
<b>Parent Company</b>			
Sweden	0	2	2
<b>Total Parent Company</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Subsidiaries</b>			
France	2	3	5
Japan	3	3	6
Canada	0	3	3
United Kingdom	0	2	2
Sweden	28	46	74
Germany	1	7	8
China	–	–	–
United States	6	15	21
<b>Total subsidiaries</b>	<b>40</b>	<b>79</b>	<b>119</b>
<b>Total Group</b>	<b>40</b>	<b>81</b>	<b>121</b>

### Board members and other senior executives at the balance date

	2020	2019	2018
<b>Parent Company</b>			
Women:			
Board of Directors	1	1	1
Other senior executives incl. CEO	0	0	0
Men:			
Board of Directors	3	3	3
Other senior executives incl. CEO	0	0	0
<b>Total Parent Company</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Group</b>			
Women:			
Board of Directors	1	1	1
Other senior executives incl. CEO	3	1	1
Men:			
Board of Directors	3	3	3
Other senior executives incl. CEO	5	6	6
<b>Total Group</b>	<b>12</b>	<b>11</b>	<b>11</b>

### Costs for employee benefits

	2020	2019	2018
<b>Parent Company</b>			
Salaries and other remuneration	5.2	6.0	5.4
Social security contributions	2.3	2.4	2.3
Pension costs	1.9	1.8	2.1
<b>Subsidiaries</b>			
Salaries and other remuneration	84	101	84
Social security contributions	23	28	20
Pension costs	9	12	8
Total salaries and remuneration in the Group	89	107	90
Total social security contributions in the Group	25	30	22
Total pension costs in the Group	11	14	10
<b>Total Group</b>	<b>125</b>	<b>151</b>	<b>121</b>

In 2020, the Group received a total of SEK 7m (0;0) in short-time work allowance. This grant was recognized as a reduction of the Group's payroll expenses as follows but was excluded from the table above.

Government support	2020	2019	2018
Salaries and other remuneration	5	0	0
Social security contributions	2	0	0
<b>Total Group</b>	<b>7</b>	<b>0</b>	<b>0</b>

Other government grants received by the Group is disclosed in Note 7.

Note 10 cont'd

**Salaries and other remuneration distributed between senior executives and other employees**

	2020	2019	2018
<b>Parent Company</b>			
Salaries and other remuneration to senior executives (1 (1) person)	3.9	4.3	3.7
including bonuses and similar remuneration to senior executives	0.0	0.5	0.1
Salaries and other remuneration to other employees	1.2	1.6	1.6
<b>Total salaries and other remuneration in the Parent Company</b>	<b>5.2</b>	<b>6.0</b>	<b>5.4</b>

**Salaries, other remuneration and pensions to senior executives**

	2020	2019	2018
<b>Group</b>			
Salaries and other remuneration to senior executives (8 (7) persons)	12	12	11
including bonuses and similar remuneration to senior executives	0	2	0
Pension costs for senior executives	4	5	4
<b>Total salaries, other remuneration and pensions for senior executives in the Group</b>	<b>16</b>	<b>17</b>	<b>15</b>

**Remuneration to senior executives (SEK)**

	Basic salary /Fee	Variable remuneration	Other benefits	Pension costs	Total
<b>Remuneration to senior executives 2020*</b>					
Chairman of the Board, Hans Eckerström	311,250	-	-	-	311,250
Board member, Magnus Brännström	138,750	-	-	-	138,750
Board member, Helene Willberg	173,000	-	-	-	173,000
Chief Executive Officer, Anders Hedebark	3,558,555	-	346,764	1,279,572	5,184,891
Other senior executives (8 persons)	8,102,918	-	73,490	2,834,193	11,010,601
<b>Total remuneration to senior executives</b>	<b>12,284,473</b>	<b>-</b>	<b>420,254</b>	<b>4,113,765</b>	<b>16,818,492</b>

\* The remuneration was reduced with 10 percent in April, July and October 2020.

**Remuneration to senior executives 2019**

Chairman of the Board, Hans Eckerström	362,500	-	-	-	362,500
Board member, Magnus Brännström	187,500	-	-	-	187,500
Board member, Helene Willberg	212,000	-	-	-	212,000
Chief Executive Officer, Anders Hedebark	3,714,068	538,936	228,820	1,279,572	5,761,396
Other senior executives (6 persons)	7,254,899	1,057,562	72,610	3,612,970	11,998,041
<b>Total remuneration to senior executives</b>	<b>11,730,967</b>	<b>1,596,498</b>	<b>301,430</b>	<b>4,892,542</b>	<b>18,521,437</b>

**Remuneration to senior executives 2018**

Chairman of the Board, Hans Eckerström	312,500	-	-	-	312,500
Board member, Magnus Brännström	112,500	-	-	-	112,500
Board member, Helene Willberg	162,500	-	-	-	162,500
Chief Executive Officer, Anders Hedebark	3,652,800	126,830	78,600	1,700,000	5,558,230
Other senior executives (6 persons)	6,857,150	176,015	50,000	2,205,616	9,288,781
<b>Total remuneration to senior executives</b>	<b>11,097,450</b>	<b>302,845</b>	<b>128,600</b>	<b>3,905,616</b>	<b>15,434,511</b>

Note 10 cont'd

### Pensions

The retirement age for the Chief Executive Officer is 65. The pension premium shall amount to 35 percent of the pensionable salary. Pensionable salary refers to the basic salary and the variable remuneration. Pension premiums are paid according to ITP 1 or ITP 2. The defined benefit plans consist of the ITP 2 plan for salaried employees in Sweden which is secured through insurance with Alecta. As Alecta cannot provide the information required to enable disclosure of the ITP 2 plan as a defined benefit plan, it is disclosed as a defined contribution plan (see below).

For salaried employees in Sweden, the ITP 2 plan's defined benefit pension commitments for retirement and survivors' pensions are secured through an insurance contract with Alecta. According to state-ment UFR 10 issued by the Swedish Financial Reporting Board, the ITP 2 pension plan, financed through insurance with Alecta, is a multi-employer defined-benefit plan. For fiscal year 2020, the Company has not had access to information allowing it to disclose its proportional share of plan commitments, plan assets or costs, so that it has not been possible to recognize the plan as a defined-benefit plan.

Thus the ITP 2 pension plan, secured through an insurance contract with Alecta, is recognized as a defined-contribution plan. The premium for the defined-benefit retirement and survivors' pensions is calculated on an individual basis and depends on factors such as salary, previously vested pension and expected remaining period of service. The expected fees in the next reporting period for ITP 2 insurance contracts written with Alecta are SEK 2m (1). The Group's share of the total plan fees and the Group's share of the total number of active members in the plan are 0.0 percent (0.0) and 0.0 percent (0.0), respectively.

The collective consolidation level equals the market value of Alecta's assets as a percentage of the insurance commitments, calculated using Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 175 percent. If Alecta's collective consolidation level falls short of 125 percent or exceeds 175 percent, actions shall be taken to create conditions so that the consolidation level returns to its normal range. In the case of low consolidation, one action could be to increase the agreed price for new contracts and expansion of existing benefits. In the case of high consolidation, one action could be to introduce premium reductions. At year-end 2020, Alecta's surplus in the form of the collective consolidation level was 148 percent (148).

### Agreements on severance pay

If the Chief Executive Officer gives notice, the notice period is six months, and if the Company gives notice, the notice period is 24 months, including 12 months during which the CEO is exempt from work. Salary during the notice period is deducted from other revenue.

### Note 11 Other operating expenses

Group	2020	2019	2018
Exchange losses	-3	-3	-3
<b>Total</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>

### Note 12 Financial income

Group	2020	2019	2018
Interest income	0	0	0
Foreign exchange differences	0	1	0
Other	-	0	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>1</b>

### Note 13 Financial expenses

Group	2020	2019	2018
Interest expense	-3	-2	-1
Foreign exchange differences	-5	-1	-3
<b>Total</b>	<b>-8</b>	<b>-3</b>	<b>-4</b>

**Note 14 Tax on profit/loss for the year**

	2020	2019	2018
<b>Current tax</b>			
Current tax on profit/loss for the year	-7	-42	-16
Adjustments recognized in the current year for current tax in previous years	-1	1	0
<b>Deferred tax</b>			
Deferred taxes attributable to temporary differences	11	-2	-15
<b>Total</b>	<b>2</b>	<b>-43</b>	<b>-31</b>

**Reconciliation of tax expense for the year**

	2020	2019	2018
Profit/loss before tax	-20	220	180
Tax at applicable Swedish tax rate, 21.4% (21.4)	4	-47	-40
Tax effect of non-deductible expenses	0	0	0
Effect of different tax rates for foreign subsidiaries	-1	0	-2
Tax effect of group contribution	-	-	12
Other items	0	3	-1
<b>Total</b>	<b>3</b>	<b>-44</b>	<b>-31</b>
Adjustments recognized in the current year for current tax in previous years	-1	1	0
<b>Reported tax expense for the year</b>	<b>2</b>	<b>-43</b>	<b>-31</b>

The Group's deferred tax assets and deferred tax liabilities are attributable to the following items.

	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
<b>Deferred tax asset</b>			
Internal profit on inventory	7	11	9
Unused loss carried forward	5	-	-
Other items	3	3	2
<b>Deferred tax asset</b>	<b>16</b>	<b>14</b>	<b>11</b>
<b>Deferred tax liability</b>			
Capitalized development expenditure	24	31	32
Untaxed reserves	28	34	29
Other items	0	2	1
<b>Deferred tax liability</b>	<b>52</b>	<b>67</b>	<b>62</b>

Deferred tax assets are valued to the amount that is likely to be recovered based on current and future taxable income.

The tax rate for calculating deferred tax is 20.6 percent for 2020, 21.4 percent for 2018 based on the actual tax rate that is applicable for year 2020 and 2021. No tax is reported in other comprehensive income. Deferred tax assets of SEK 5m (0;0) are reported in the Group directly against equity, as the group contribution generates a tax loss in the Parent Company Profoto Holding AB.

## Note 15 Composition of the Group

The Group had the following subsidiaries at December 31, 2020.

Name and corp. reg. no.	Country of operation	Holding (%) <sup>1</sup>
Profoto AB corp. reg. no. 556115-5838	Sweden	100
Profoto GmbH corp. reg. no. HRB 39399	Germany	100
Profoto France SARL corp. reg. no. 481 980 530 R.C.S	France	100
Profoto K. K. corp. reg. no. 0104-01-057702	Japan	100
Profoto Ltd corp. reg. no. 584-2094	United Kingdom	100
Profoto US Inc corp. reg. no. 32-0407352	United States	100
Profoto Shanghai Photographic Equipment Co Ltd corp. reg. no. 91310000MA1G8XK714	China	100
Profoto HK Limited corp. reg. no. 2757485	Hong Kong, China	100

1) Percentage shareholding refers to the share of equity and votes held by the Parent Company, directly or indirectly.

Profoto Holding AB is the direct owner (100 percent) of Profoto AB. Profoto AB in turn is the direct owner (100 percent) of all other subsidiaries, except for Profoto Shanghai Photographic Equipment Co Ltd, which is a wholly owned subsidiary (100 percent) of Profoto HK Limited.

During 2020, the wholly owned subsidiary Profoto Nordic AB (corp. reg. no. 556926-8047) was merged into Profoto AB. The wholly owned subsidiary Profoto Ltd in Canada (corp. reg. no. 68-1362) was liquidated and its operations were moved to the subsidiary Profoto US Inc. No other changes occurred in the Group's composition during 2020.

## Note 16 Intangible assets

	Capitalized development expenditure	Software	Licenses	Total
<b>Opening accumulated acquisition value January 1, 2018</b>	<b>122</b>	<b>4</b>	<b>1</b>	<b>127</b>
Purchases	-	-	1	1
Capitalized development expenditure	47	23	-	70
<b>Closing accumulated acquisition value December 31, 2018</b>	<b>169</b>	<b>27</b>	<b>2</b>	<b>198</b>
<b>Opening amortization January 1, 2019</b>	<b>-39</b>	<b>0</b>	<b>0</b>	<b>-39</b>
Amortization for the year	-10	0	0	-11
<b>Closing accumulated amortization December 31, 2019</b>	<b>-49</b>	<b>0</b>	<b>0</b>	<b>-50</b>
<b>Opening impairment January 1, 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing accumulated impairment December 31, 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at December 31, 2018</b>	<b>119</b>	<b>27</b>	<b>2</b>	<b>148</b>



Note 16 cont'd

	Capitalized development expenditure	Software	Licenses	Total
<b>Opening accumulated acquisition value January 1, 2019</b>	<b>169</b>	<b>27</b>	<b>2</b>	<b>198</b>
Purchases	-	-	-	-
Capitalized development expenditure	24	4	-	28
<b>Closing accumulated acquisition value December 31, 2019</b>	<b>193</b>	<b>31</b>	<b>2</b>	<b>225</b>
<b>Opening amortization January 1, 2019</b>	<b>-50</b>	<b>0</b>	<b>0</b>	<b>-50</b>
Amortization for the year	-17	-5	0	-23
<b>Closing accumulated amortization December 31, 2019</b>	<b>-67</b>	<b>-5</b>	<b>-1</b>	<b>-73</b>
<b>Opening impairment January 1, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Closing accumulated impairment December 31, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Carrying amount at December 31, 2019</b>	<b>125</b>	<b>25</b>	<b>1</b>	<b>152</b>
<b>Opening accumulated acquisition value January 1, 2020</b>	<b>193</b>	<b>31</b>	<b>2</b>	<b>225</b>
Purchases	-	-	0	0
Capitalized development expenditure	21	-	-	21
<b>Closing accumulated acquisition value December 31, 2020</b>	<b>214</b>	<b>31</b>	<b>2</b>	<b>246</b>
<b>Opening amortization January 1, 2020</b>	<b>-67</b>	<b>-5</b>	<b>-1</b>	<b>-73</b>
Amortization for the year	-30	-6	0	-36
<b>Closing accumulated amortization December 31, 2020</b>	<b>-97</b>	<b>-12</b>	<b>-1</b>	<b>-109</b>
<b>Opening impairment January 1, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
Impairment for the year	-19	-	-	-19
<b>Closing accumulated impairment December 31, 2020</b>	<b>-19</b>	<b>-</b>	<b>-</b>	<b>-19</b>
<b>Carrying amount at December 31, 2020</b>	<b>98</b>	<b>19</b>	<b>1</b>	<b>118</b>

Total research and development expenses that were expensed during the period amounted to SEK 49m (46;7). The costs mainly relate to expenses in the research phase, as well as departmental costs that cannot be attributed to specific development projects.

Impairment for the year, totaling SEK 19m (0;0), was impairment of a

development project as a consequence of sales of products connected to the project falling far short of original expectations and expected to continue to do so. The remaining recoverable amount for these development projects after impairment is zero. This is further clarified in Note 23.

**Note 17 Property, plant and equipment**

	Tools and equipment	Improvements on leased premises	Total
<b>Opening acquisition value January 1, 2018</b>	<b>67</b>	<b>5</b>	<b>72</b>
Purchases	13	0	14
Sales/retirement	-4	0	-4
Translation differences	0	0	0
Reclassifications	-4	2	-2
<b>Closing accumulated acquisition value December 31, 2018</b>	<b>72</b>	<b>7</b>	<b>79</b>
<b>Opening depreciation January 1, 2018</b>	<b>-33</b>	<b>0</b>	<b>-34</b>
Sales/retirement	0	0	0
Reclassifications	3	-1	2
Depreciation for the year	-7	-1	-8
Translation differences	0	0	0
<b>Closing accumulated depreciation December 31, 2018</b>	<b>-37</b>	<b>-3</b>	<b>-40</b>
<b>Opening impairment January 1, 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing accumulated impairment December 31, 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at December 31, 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Opening acquisition value January 1, 2019</b>	<b>72</b>	<b>7</b>	<b>79</b>
Purchases	15	3	17
Sales/retirement	0	-	0
Translation differences	0	0	0
Reclassifications	-1	1	0
<b>Closing accumulated acquisition value December 31, 2019</b>	<b>86</b>	<b>11</b>	<b>97</b>
<b>Opening depreciation January 1, 2019</b>	<b>-37</b>	<b>-3</b>	<b>-40</b>
Sales/retirement	-	-	-
Reclassifications	1	-1	0
Depreciation for the year	-8	-1	-10
Translation differences	0	0	0
<b>Closing accumulated depreciation December 31, 2019</b>	<b>-45</b>	<b>-5</b>	<b>-50</b>
<b>Opening impairment January 1, 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing accumulated impairment December 31, 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at December 31, 2019</b>	<b>41</b>	<b>6</b>	<b>47</b>

Note 17 cont'd

	Tools and equipment	Improvements on leased premises	Total
<b>Opening acquisition value January 1, 2020</b>	<b>86</b>	<b>11</b>	<b>97</b>
Purchases	7	0	7
Sales/retirement	-	-	-
Translation differences	-1	0	-1
Reclassifications	-	-	-
<b>Closing accumulated acquisition value December 31, 2020</b>	<b>92</b>	<b>11</b>	<b>103</b>
<b>Opening depreciation January 1, 2020</b>	<b>-45</b>	<b>-5</b>	<b>-50</b>
Sales/retirement	-	-	-
Reclassifications	-	-	-
Depreciation for the year	-11	-2	-13
Translation differences	0	0	0
<b>Closing accumulated depreciation December 31, 2020</b>	<b>-56</b>	<b>-7</b>	<b>-63</b>
<b>Opening impairment January 1, 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>
Impairment for the year	-9	0	-9
<b>Closing accumulated impairment December 31, 2020</b>	<b>-9</b>	<b>-</b>	<b>-9</b>
<b>Carrying amount at December 31, 2020</b>	<b>27</b>	<b>4</b>	<b>32</b>

## Note 18 Inventories

The composition of inventories is shown in the table below.

	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Inventory of finished goods	74	127	89
Consignment inventory	17	25	-
Other inventory	3	19	-
<b>Total</b>	<b>94</b>	<b>172</b>	<b>89</b>
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Cost of inventory	228	253	224
<b>Total</b>	<b>228</b>	<b>253</b>	<b>224</b>

Consignment inventory consists mainly of components held in stock at manufacturers and/or suppliers.

In 2020, the Group recognized inventory-related write-downs at a cost of SEK -55m (0;0), of which SEK -48m was attributable to impairment of inventory-related assets connected to the product groups C1 and C1+.

Provisions for inventory, intended for traders which cannot be sold, amounted to SEK -1m (-3;-7).

**Note 19 Accounts receivable**

	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Accounts receivable, gross	67	95	97
Provision for expected credit losses	0	0	0
<b>Accounts receivable, net after provision for bad debts</b>	<b>67</b>	<b>95</b>	<b>97</b>

Management's assessment is that the carrying amount of accounts receivable, net of provisions for bad debts, corresponds to fair value.

	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Provision for expected credit losses, beginning of year	0	0	0
Provision for expected credit losses for the year	-	0	0
Reversal of unused amounts	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Accounts receivable aging analysis</b>	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>	<b>Dec 31, 2018</b>
Not past due	63	94	94
Past due <30 days	4	1	1
Past due 30-60 days	0	0	1
Past due 60-90 days	-	0	0
Past due >90 days	0	0	0
<b>Total</b>	<b>67</b>	<b>95</b>	<b>97</b>

The Company's assessment is that payment will be received for accounts receivable that are overdue but have not been written off, because the payment history of the customers is good. For the Group's analysis of financial risk management and financial instruments, see Note 4. Estimated expected credit losses are disclosed in Note 4 and have been deemed immaterial at the amount calculated, so that they are not included in the information in the note above.

**Note 20 Prepayments and accrued income**

	Dec 31, 2020	Dec 31, 2019	2018
Prepaid rent	2	2	1
Prepaid insurance premiums	1	1	1
Marketing	1	1	0
Accrued consumption of consignment inventory	4	-	0
Other items	1	1	2
<b>Carrying amount</b>	<b>8</b>	<b>6</b>	<b>4</b>

**Note 21 Cash and cash equivalents**

Cash and cash equivalents consist exclusively of available balances at banks and other credit institutions. Utilized overdraft credit is recognized in current liabilities to credit institutions.

Funding risk management (credit risk) is disclosed in Note 4.

**Note 22 Share capital**

At December 31, 2020, December 31, 2019 and December 31, 2018, share capital consisted of a total of 500,000 shares with a par value of SEK 0.10.

**Note 23 Items affecting comparability**

	2020	2019	2018
Impairment of consignment inventory	42	0	0
Impairment of finished goods inventory	6	0	0
Impairment of intangible assets	19	0	0
Impairment of property, plant and equipment	9	0	0
<b>Total</b>	<b>75</b>	<b>0</b>	<b>0</b>
Received allowance for short-time work	7	0	0
<b>Total</b>	<b>7</b>	<b>0</b>	<b>0</b>
<b>Net items affecting comparability</b>	<b>68</b>	<b>0</b>	<b>0</b>

The above items are deemed by the Group to be of a material nature for consolidated profit/loss and are therefore specified separately in a note. The costs refer to impairment connected with productlines C1 and C1+ whose sales fell far short of forecasts made and are expected to remain at an insignificant level in coming years.

The Group has during 2020 received allowance related to short-time work amounting to SEK 7m (0;0). This has been reported as a reduction of the Groups salary expenses, see Note 10.

**Note 25 Non-current and current liabilities to credit institutions**

	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
<b>Non-current interest-bearing liabilities</b>			
Non-current liabilities to credit institutions	8	0	0
<b>Carrying amount</b>	<b>8</b>	<b>0</b>	<b>0</b>
<b>Current interest-bearing liabilities</b>			
Current liabilities to credit institutions	36	20	1
<b>Carrying amount</b>	<b>36</b>	<b>20</b>	<b>1</b>

The Group's utilized overdraft credit totaled SEK 18m (13;0) and is included in the item current liabilities to credit institutions. Interest on utilized overdraft credit is variable and based on the LIBOR benchmark rate. The Group's overdraft credit totaled SEK 63m (81;81). The majority of other liabilities that are not overdraft credit carry a fixed interest rate. The long-term liability matures in 2025.

Fair value is estimated to be the carrying amount of the liabilities.

**Note 24 Provisions**

Group	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Provisions at the beginning of the year	15	13	12
Provisions during the period	5	7	6
Provisions reversed during the period	-8	-5	-5
<b>Provisions at year-end</b>	<b>12</b>	<b>15</b>	<b>13</b>

Provisions are for warranties on sold goods. The amounts are not discounted, and the discounting effect is not material. Long-term provisions consist of warranty commitments that expire within 1-2 years, short-term provisions within one year.

**Note 26 Accrued expenses and deferred income**

Group	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
Accrued wages etc.	16	24	16
Deferred income	2	-	0
Accrued materials costs	13	0	1
Accrued marketing costs	0	1	0
Received transitional assistance 2020 to be repaid	3	-	-
Other accrued costs	7	18	13
<b>Carrying amount</b>	<b>41</b>	<b>43</b>	<b>31</b>

The Group's accrued wages have decreased as a consequence of the comprehensive cost-saving program carried out in 2020.

Accrued materials costs consist of actual commitments to suppliers set up as a reserve as a result of significantly reduced sales forecasts associated with product lines C1 and C1+.

At the end of 2020, Profoto Holding has decided to implement structural changes to the capitalization in the Group, which contains dividends from Profoto AB to Profoto Holding AB. As the dividend will be decided at the Annual General Meeting prior to June 30, 2021, Profoto AB no longer meets the requirements for receiving transitional assistance for the period for which support has been granted. Profoto AB has received a total transitional assistance of SEK 4m. Out of the total transitional assistance, as of 31 December 2020, SEK 1m has not yet been paid to the company. The Group thus has a net debt for repayment of transitional assistance as of 31 December 2020, which amounts to SEK 3m.

**Note 27 Specifications in the statement of cash flows**

Group	2020	2019	2018
Impairment of intangible assets and property, plant and equipment	88	42	23
Inventory write-downs	48	0	10
Other items	-2	1	1
<b>Total</b>	<b>134</b>	<b>43</b>	<b>34</b>

In preparing cash flow, adjustments are made for items not affecting cash flow, which have been compiled in the table above.

Reconciliation of liabilities originating in financing activities:

Group	Liabilities to credit institutions	Lease liabilities	Inter- company liabilities
Balance at January 1, 2018	2	-	-
Adjusted initial values for leases	-	-	-
Cash flow	-4	-	-41
Net signed and terminated contracts	-	-	134
Foreign exchange differences	3	-	-
<b>Closing balance at December 31, 2018</b>	<b>1</b>	<b>-</b>	<b>93</b>

Group			
Balance at January 1, 2019	1	-	93
Adjusted initial values for leases	-	57	-
Cash flow	19	-8	-42
Net signed and terminated contracts	-	16	26
Foreign exchange differences	-	-	-
<b>Closing balance at December 31, 2019</b>	<b>20</b>	<b>64</b>	<b>77</b>

Group			
Balance at January 1, 2020	20	64	77
Cash flow	24	-8	-
Net signed and terminated contracts	-	1	6
<b>Closing balance at December 31, 2020</b>	<b>44</b>	<b>56</b>	<b>83</b>



**Note 28 Pledged assets and contingent liabilities**

	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
<b>Pledged collateral</b>			
Company mortgages	40	40	40
<b>Total</b>	<b>40</b>	<b>40</b>	<b>40</b>
<b>Contingent liabilities</b>			
Swedish Customs Service	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Parent Company has issued a general guarantee in favor of Profoto AB (corp. reg. no. 556115-5838). The UK registered subsidiary, Profoto Limited, applies the exemption available under Section 479A of the UK Companies Act 2006 relating to the audit of their individual financial statements.

The Parent Company (Profoto Holding AB) has provided a guarantee to its UK subsidiary (Profoto Limited), under Section 479C of the UK Companies Act 2006. This guarantee relates to the liabilities of the UK subsidiaries, and it is the view of the Board that the probability that the guarantee will be used is low.

None of these guarantees is regarded as a contingent liability, because none of the guarantees, to management's best knowledge, will be used.

**Note 29 Related party transactions**

In addition to personnel expenses (see Note 10), the Group and Parent Company have the following transactions with related parties.

	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
<b>Receivables from related parties</b>			
Group			
Receivables from the Parent Company	20	87	-
<b>Total</b>	<b>20</b>	<b>87</b>	<b>-</b>
<b>Liabilities to related parties</b>			
Group			
Liabilities to the Parent Company	-83	-77	-93
<b>Carrying amount</b>	<b>-83</b>	<b>-77</b>	<b>-93</b>

The Group's liabilities to the Parent Company increased during the year as a result of the Parent Company's utilization of an available short-term credit of SEK 80m (0;0). The credit was repaid at the start of 2021, and the liability to the Parent Company settled at that time. No dealings or transactions with the Group's ultimate owners occurred during the year. Intercompany guarantees are disclosed in Note 28.

Intercompany receivables and liabilities, with different internal debtors and creditors, are reported gross in the financial statements for both the Group and the Parent Company. In the Group's annual report for 2019, these receivables and liabilities have been reported net. This has been adjusted in the 2020 annual report, which is why the balance sheet total for the comparison year 2019 deviates from the annual report for 2019.

**Note 30 Events after the balance date**

On the annual shareholders' meeting held on 7 May 2021 it was resolved to pay dividends of in total SEK 155,869,073 to the parent company Profoto Invest AB. The Profoto Holding group has in the month of June entered into a financing agreement for a RCF loan with a total credit limit of SEK 250m. It has also been resolved to settle outstanding intra-group receivables and liabilities with the parent company Profoto Invest AB no later than at the time of listing. Through an agreement dated 27 May 2021, Profoto AB entered into an arrangement with Conny Dufgran, one of Profoto's founders, regarding a final settlement of Conny Dufgran's remaining pension rights, which means that Conny Dufgran is entitled to compensation amounting to approximately SEK 1.6m from Profoto AB in the form of a one-off payment. At the extraordinary shareholders' meeting in the Company held on 18 June 2021, the meeting resolved on a split of the Company's shares 1:80, after which there are 40,000,000 outstanding shares in the Company. No other known events that would lead to adjustments have occurred between the balance date and the date of listing.

# Auditor's report regarding historical financial information

## Independent Auditor's Report on financial statements on historical financial information

Independent auditor's report

To the Board of Directors of Profoto Holding AB (publ),  
corporate identity number 556810-9879

### REPORT ON THE CONSOLIDATED ACCOUNTS

#### Opinions

We have audited the consolidated accounts of Profoto Holding AB (publ) for the period of three years ended 31 December 2020. The consolidated accounts of the company are included on pages F-20–F-49 in this document.

In our opinion, the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of the 31 December 2020, 31 December 2019 and 31 December 2018 and their financial performance and cash flow for each of the three financial years ending the 31 December 2020 in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, The Board of Directors and the Managing Director are responsible for

the assessment of the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the group, to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of the group's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the

consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Stockholm 21 June 2021

Deloitte AB

*Signature on Swedish original*

**Therese Kjellberg**

Authorized Public Accountant

# Addresses

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